Fort Chicago Energy Partners L.P.
2003 Annual Report

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CORPORATE PROFILE

Fort Chicago Energy Partners L.P. ("Fort Chicago") is one of Canada's largest publicly traded income funds with a market capitalization in excess of $1.3 billion. Its Class A Units are traded on the TSX and are rated STA-2 (low) by Dominion Bond Rating Service, which reflects very good stability and sustainability of distributions.

Fort Chicago was formed in 1997 to hold a 26 percent interest in the Alliance Pipeline and the natural gas liquids ("NGL") business of Aux Sable, which, at the time, were each under development. In December 2000, Alliance Pipeline and Aux Sable commenced operations. In 2002 and 2003, Fort Chicago seized the opportunity to increase its ownership in these businesses to 50 percent and 42.7 percent, respectively.

Alliance Pipeline operates an integrated, high-pressure natural gas pipeline capable of transporting 1.325 billion cubic feet per day of liquids rich natural gas on a firm-service basis from Northwestern Alberta and Northeastern British Columbia to delivery points near Chicago, Illinois, which provide access to markets in the Midwestern and Northeastern U.S. and Eastern Canada. Aux Sable operates an NGL business that is comprised of (i) a world-scale extraction and fractionation facility capable of processing up to 2.1 billion cubic feet of natural gas per day and recovering up to 100,000 barrels per day of natural gas liquids consisting of ethane, propane, normal butane, iso-butane and natural gasoline; (ii) storage and distribution facilities; (iii) long-term firm transportation capacity on the Alliance Pipeline; and (iv) NGL injection facilities connected to the Alliance Pipeline in Alberta and British Columbia.

Fort Chicago's objective is to increase per-unit value and distributable cash by prudently managing its existing investments and making accretive investments in long-life energy infrastructure assets that generate stable cash flows and provide asset diversification.

onward

The Board of Directors of Fort Chicago Energy Management Ltd. is responsible to the limited partners of Fort Chicago Energy Partners L.P. (the "Partnership"), an entity that has investments in two strategic business units: the Alliance Pipeline (50 percent ownership) and the Aux Sable natural gas liquids extraction facilities (42.7 percent ownership).

The management of the Partnership will report on the strategic, operating and financial highlights in the balance of this report. I will speak about corporate governance and how the Board of Directors has dealt with corporate governance in the past and the philosophy of the Partnership regarding corporate governance. Additional information can be found towards the end of this report and on the Partnership's website at www.fortchicago.com.

The last two years have been very trying for public entities, the investment community and investors with commentary on corporate governance becoming commonplace in the press. Regulators, stock exchanges and the investment community have "raised the bar" on the minimum standard for disclosure and accountability to rebuild and renew the trust between issuers and investors.

Corporate governance has always been a priority for Fort Chicago. When Fort Chicago was established in 1997, it was determined that an external management agreement structure was not appropriate and established compensation arrangements similar to those adopted by publicly held corporations. Many of the new rules regarding audit committees and compensation committees have always been standard practice for Fort Chicago. Fort Chicago has always had a majority of independent board members and the audit and compensation committees have always been populated solely with independent directors. As a consequence, the changes required by Fort Chicago to comply with the new corporate governance standards are relatively minor.

When Fort Chicago was established, the founders also believed it was essential that Unitholders be given the opportunity to have input into the election of the Board of Directors of the General Partner of the Partnership while still retaining their limited liability status. Accordingly, a trust arrangement was established whereby the Unitholders can recommend to a trustee, on an annual basis, the directors for the ensuing year. Under this structure, the corporate governance and compensation arrangements are closely aligned with the interests of Unitholders.

The business model for the income fund sector also provides an element of corporate governance protection for Unitholders. Returning virtually all available cash to you, the Unitholder, provides an additional layer of protection in regard to how and where your investment dollars are reinvested.

With the separation of the role of the Chairman from that of the Chief Executive Officer, which was achieved upon the promotion of Mr. Stephen White to President and Chief Executive Officer on January 1, 2003, the Board stipulated that the Chairman be responsible for the stewardship of the Board, while the Chief Executive Officer would be responsible for the development and execution of the strategic and operational objectives of the Partnership.

The Board's role is principally to assist management in setting the Partnership strategy as well as guiding, mentoring and monitoring management in executing that strategy. The Board has collaborated with and developed the following objectives for the Chief Executive Officer and the management team. These include:

- Increasing distributable cash per Class A Unit and the net present value per Class A Unit by five to 10 percent per annum;
- Investing $200 to $300 million annually in long-life energy infrastructure assets that generate stable cash flows to diversify the Partnership's asset base; and
- Maintaining a conservative capital structure with ready access to capital markets to finance new investments.

During the year, Hume Kyle joined the Partnership as Vice President, Finance and Chief Financial Officer and Vern Wadey joined as Vice President, Business Development. The Board believes that the Partnership has a strong management team in place to carry out its strategy. The Board meets regularly without management present. Management compensation is competitive and linked to growth in distributable cash per unit. The Board is truly serious about representing the interests of all Unitholders.

I wish to thank my fellow directors for their dedication and guidance in 2003. I also want to thank the management team who executed on their plan to consolidate the ownership interests in the Alliance Pipeline and Aux Sable and subsequently to refinance these acquisitions with permanent financing in an accretive fashion that added significant value to you, our Unitholders. Today, I believe your Partnership is well-positioned for future growth.

Submitted on behalf of the Board of Directors of Fort Chicago Energy Management Ltd.,
The General Partner of Fort Chicago Energy Partners L.P.

Guy J. Turcotte

Guy J. Turcotte
Chairman

We are pleased to report on the performance of Fort Chicago in 2003. The year saw Fort Chicago further increase its ownership in Alliance Pipeline to 50 percent and in Aux Sable to 42.7 percent and successfully refinance all of its bridge acquisition financing.

Acquisition Activities During 2003, Fort Chicago completed the acquisition of a remaining 1.1 percent of Alliance from El Paso and 11.8 percent of Alliance and Aux Sable from Duke for a total of $199.3 million. These investments have performed well for Fort Chicago with both the acquisition of Alliance and Aux Sable contributing to earnings in 2003.

In August 2003, Fort Chicago announced the acquisition of a minority interest in an additional natural gas transportation system. Unfortunately, this transaction did not close as a result of the exercise of certain rights of first refusal by the other owners of the system. While we were disappointed with the result, Fort Chicago will continue to evaluate accretive acquisition opportunities with the goal of growing and diversifying our cash flow and asset base. Fort Chicago will target core energy infrastructure assets with long-term stable cash flows.

Financing Activities During the year, Fort Chicago was successful in completely refinancing its acquisition bridge credit facilities with two offerings of Class A Units that raised $222.4 million before expenses, and two offerings of convertible debentures that raised $212.5 million before expenses. With the completion of these offerings, Fort Chicago has no short-term borrowing, a requirement to amortize US $3 million per annum of long-term bonds and approximately $140 million of debentures due in 2008 and $62.5 million of debentures due in 2010. The amortization of the Alliance debt is recoverable in the tariff charged to shippers, and therefore is deducted prior to any distribution from Alliance to Fort Chicago.

Going forward, Fort Chicago will remain conservatively financed and will utilize its existing equity and convertible debenture shelf prospectuses to finance any acquisitions.

Alliance and Aux Sable Operations Detailed reviews of the operations of Alliance and Aux Sable appear later in this report. In summary, Alliance exceeded our operating targets in 2003 and transported record levels of natural gas. Operating costs were under budget and the pipeline continues to operate reliably and provides a competitive tariff for the transportation of natural gas to U.S. Midwest and Eastern Canadian markets.

The operations of Aux Sable were negatively impacted by high natural gas prices. However, margins improved in the fourth quarter of 2003 and Aux Sable has been consistently profitable for the five-month period from October 2003 to February 2004. The outlook for the balance of 2004 is uncertain at this time as a result of continued volatility in natural gas prices. Aux Sable's new credit facilities that were established in August 2003 cannot be utilized to finance operating cash flow losses; however, during the five-month period ending February 2004, Aux Sable generated approximately US $8 million of cash flow that can be utilized to offset operating losses. At this time, we are anticipating that Fort Chicago may be required to make support payments to Aux Sable of approximately $4 million in 2004 to cover its pro rata share of marketing losses. No support payments to Aux Sable for extraction losses are expected in 2004.

Financial Results In the management's discussion and analysis section of this report, we provide a detailed analysis of the financial results for 2003. In summary, the results are difficult to compare to the 2002 financial results as a consequence of the acquisitions of additional interests in Alliance and Aux Sable during 2002 and 2003 and the financings undertaken in 2003.

Going forward, Fort Chicago anticipates stable levels of earnings from Alliance, driven by the long-term stable cash flows generated by its transportation contracts. Fort Chicago anticipates that Aux Sable will, on average, provide modest levels of earnings, which will remain somewhat volatile. Overall, we would anticipate earnings to be in the range of $40 to $50 million for 2004. The breadth of this range is largely the result of the volatility associated with Aux Sable's earnings.

Distributions Fort Chicago has continued the policy of distributing 100 percent of distributable cash to Unitholders; however, Fort Chicago has only increased distributions to holders of Class A Units when it believes that the higher level of distributions are sustainable. During 2003, Fort Chicago increased its distribution per Class A Unit twice, once in the third quarter to $0.19 per Class A Unit from $0.18 per Class A Unit, and again in the fourth quarter to $0.20 per Class A Unit. In January 2004, Fort Chicago announced that it was commencing the payment of distributions monthly

versus the old policy of making distributions quarterly, and further increased the distribution to $0.06875 per Class A Unit per month ($0.20625 per quarter). At this time, Fort Chicago believes that this level of distribution is sustainable for 2004 given the current operating environments for Alliance and Aux Sable. Any decision to further increase the level of distribution would only be made after a sustained period of positive cash flow from Aux Sable or upon completion of an accretive acquisition.

Capital Markets The income fund sector continued to perform better than most other sectors of the capital markets in 2003. Continued strong levels of financing and initial public offerings resulted in the sector's market capitalization reaching approximately $71.4 billion at December 31, 2003, up 90 percent from December 31, 2002.

During 2003, Fort Chicago's Class A Units performed extremely well, increasing to $10.20 per Class A Unit at December 31, 2003 from $8.25 at December 31, 2002. Including the $0.75 per Class A Unit of distributions paid, the total return for holding a Fort Chicago Class A Unit was 34 percent in 2003. This was among the top tiers for all infrastructure income fund issuers in 2003.

Fort Chicago continues to be included in the S&P/TSX Canadian Income Fund Trust Index with a weighting of 2.249 percent at year-end, representing a 4.5 percent increase over the weighting of 2.152 percent at the beginning of the year.

The performance of the income fund sector is vulnerable to increases in long-term interest rates. While the Fort Chicago Class A Units did perform very well in 2003, the yield on Fort Chicago's Class A Units is still higher than the yield on most other infrastructure income funds with similar long-term stable cash flows.

As a result of the limited partnership structure of Fort Chicago, losses of $0.02 per Class A Unit were allocated for 2003, a reduction from $0.34 per Class A Unit in 2002. Assuming a continued break-even cash flow for the Aux Sable business, Fort Chicago anticipates that modest tax losses will flow to Unitholders in 2004, and that small amounts of taxable income will be allocated to Unitholders commencing in 2005 or 2006. With minimal to no taxable income expected to be allocated to partners over the next several years, Fort Chicago should continue to be an attractive investment alternative to taxable and non-taxable investors.

Outlook As we move into 2004, Fort Chicago will continue to enjoy the financial benefits from the consolidation of the ownership of Alliance and Aux Sable. However, we remain cautious about the prospects for a sustained recovery of our Aux Sable investment. Fort Chicago and the other owners of Aux Sable will continue to work with Aux Sable to actively manage the extraction margin risk with the intention of reducing the overall volatility in the financial performance of Aux Sable. In addition, we will continue to evaluate long-term opportunities to improve the financial performance of this investment.

Alliance and Aux Sable continue to be strategically well positioned. Fort Chicago had hoped to see meaningful progress last year towards the development of Alaska and Mackenzie Delta natural gas reserves. Fort Chicago anticipates that some progress will be evident on the Mackenzie Delta Pipeline in 2004; however, meaningful progress on an Alaska natural gas pipeline to Western Canada appears to be subject to U.S. Federal government support. At this time, legislation required to create this support has been unable to pass in either the U.S. House of Representatives or the U.S. Senate. Also, the announcement of over 30 liquified natural gas terminals in various locations throughout North America, which are targeted to provide additional supplies of natural gas to Canada and the U.S. in the latter part of the decade, may result in further delays in the construction of the Alaska natural gas pipeline.

I wish to thank our Board of Directors, employees and advisors for their remarkable efforts in 2003 that resulted in the excellent results in terms of distributable cash and earnings growth. We all remain committed to our mandate of providing stable long-term tax efficient cash distributions to you, our Unitholders.

Respectfully submitted,

Stephen H. White
President and Chief Executive Officer
March 9, 2004

Fort Chicago completed several accretive acquisitions and financings in 2003 and 2002, which have benefited our Unitholders. We are well-positioned for future growth and remain focused on diversifying our asset base and delivering growing and stable distributions as we move onward.

ACQUISITIONS

OCTOBER 29, 2002

ACQUIRED AN ADDITIONAL 5% INTEREST IN ALLIANCE FOR $93 MILLION

NOVEMBER 21, 2002

ACQUIRED AN ADDITIONAL 6.1% AND 4.9% INTEREST IN ALLIANCE AND AUX SABLE, RESPECTIVELY, FOR $110 MILLION

OWNERSHIP

JANUARY 1, 2002

OWNS A 26% INTEREST IN ALLIANCE AND AUX SABLE; CARRIED VALUE – $586.4 MILLION

DECEMBER 31, 2002

OWNS 37.1% OF ALLIANCE AND 30.9% OF AUX SABLE; CARRIED VALUE – $774.7 MILLION

FINANCINGS

JANUARY 10, 2003

ISSUED SERIES A CONVERTIBLE DEBENTURES FOR PROCEEDS OF $150 MILLION

MARCH 24, 2003

ACQUIRED AN ADDITIONAL 1.1% INTEREST IN ALLIANCE FOR $18.2 MILLION

APRIL 1, 2003

ACQUIRED AN ADDITIONAL 11.8% INTEREST IN ALLIANCE CANADA, A 10.7% INTEREST IN ALLIANCE U.S. AND AN 11.8% INTEREST IN AUX SABLE FOR $173.9 MILLION

JUNE 12, 2003

ISSUED CLASS A UNITS FOR $135 MILLION IN PROCEEDS

OCTOBER 15, 2003

ISSUED CLASS A UNITS FOR $87.4 MILLION AND SERIES B 7 CONVERTIBLE DEBENTURES FOR $62.5 MILLION

OCTOBER 30, 2003

ACQUIRED AN ADDITIONAL 1.1% INTEREST IN ALLIANCE U.S. FOR $7.2 MILLION

DECEMBER 31, 2003

OWNS 50% OF ALLIANCE AND 42.7% OF AUX SABLE; CARRIED VALUE – $872 MILLION

Our Roots Run Deep

The Alliance Pipeline is the foundation and principal asset of the Partnership. We will continue to manage this investment and seek growth opportunities which deliver stable financial results.

ALLIANCE PIPELINE

The comments below relate to the Alliance Pipeline, which is comprised of Alliance Pipeline Limited Partnership ("Alliance Canada") and Alliance Pipeline L.P. ("Alliance U.S.") (collectively, the "Pipeline" or "Alliance"). All financial information is in Canadian dollars unless otherwise noted and, as it relates to Alliance's financial results, has been extracted from the audited combined financial statements of Alliance, which were prepared in accordance with Generally Accepted Accounting Principles in Canada. They do not include the assets, liabilities, revenues and expenses of the partners, nor do they reflect income tax as this is allocated to the partners. Certain forward-looking statements and information are also provided. Forward-looking statements and information, by their nature, involve risk and uncertainty, which may cause actual results to differ materially from those expressed or implied herein.

SELECTED FINANCIAL AND OPERATING HIGHLIGHTS

(CDN $ MILLIONS EXCEPT WHERE NOTED)	2003	2002
Revenues	$ 828	$ 842
Net income	$ 251	$ 246
Distributions paid	$ 241	$ 223
Average daily throughput volume (billion cubic feet per day)	1.588	1.481
Total assets	$ 4,920	$ 5,824
Total long-term liabilities	$ 3,038	$ 3,640
Partners' equity	$ 1,688	$ 1,869

OVERVIEW

The Alliance Pipeline consists of an approximate 3,000-kilometre integrated, high-pressure natural gas transmission system, an approximate 690-kilometre lateral pipeline system and related infrastructure. The Canadian portion of the pipeline is owned and operated by Alliance Canada. The United States portion of the pipeline is owned and operated by Alliance U.S. Fort Chicago holds a 50 percent interest in Alliance and, together with Enbridge Income Fund and Enbridge Inc., jointly controls Alliance.

The pipeline, which commenced operations in December 2000, has been designed to transport 1.325 billion cubic feet per day ("bcf/d") of liquids rich natural gas on a firm-service basis from Northwestern Alberta and Northeastern British Columbia to delivery points near Chicago, Illinois, where the pipeline connects with two local natural gas distribution systems and five interstate natural gas pipelines. These interconnections provide access to markets in the Midwestern and Northeastern U.S. and Eastern Canada.

The Pipeline also connects to the Aux Sable Liquid Products LP natural gas liquids extraction and fractionation plant located in Channahon, Illinois, near the terminus of the Alliance Pipeline. Alliance and Aux Sable have entered into agreements whereby Aux Sable extracts natural gas liquids from the liquids rich gas stream transported on the Alliance Pipeline in order to meet downstream pipeline heat content requirements. In exchange for the natural gas liquids extracted, shippers on the system receive natural gas on an energy equivalent basis.

By providing this natural gas transportation service, the pipeline further integrates North American natural gas markets and offers shippers

the following: (i) competitive firm transportation rates that can be lowered further using available additional transportation capacity in excess of firm capacity; (ii) a single pipeline service providing a direct transportation route to the major natural gas distribution systems near Chicago, Illinois; and (iii) high-pressure, reliable pipeline technology and the ability to transport rich gas, which improves efficiency and lowers the per-unit transportation cost of the pipeline.

RESULTS OF OPERATIONS

Alliance reported strong financial and operational results in 2003 and successfully refinanced its floating rate project financing with long-term, attractively priced, fixed-rate debt. In addition to meeting its contracted 1.325 Bcf/d of firm service shipping capacity, shippers also took advantage of record levels of authorized overrun service ("AOS"). Actual transportation deliveries, including utilized AOS, averaged 1.59 Bcf/d (20 percent in excess of firm capacity) for the year ended December 31, 2003 compared with average deliveries of 1.48 Bcf/d (12 percent in excess of firm capacity) for the year ended December 31, 2002.

Alliance has 15-year firm-service transportation services contracts ending in 2015 with a group of 33 shippers. The transportation service contracts obligate each shipper to pay monthly demand charges based on that shipper's contracted volume, regardless of volumes actually transported on the pipeline. These charges are subject to limited rights for each shipper to receive demand charge credits to the extent Alliance is unable, for any reason related solely to the physical capability of the pipeline, to transport volumes of natural gas up to the shipper's contracted capacity that were properly scheduled for delivery. No demand charge credits were incurred during 2003.

During 2002, Alliance faced a number of unexpected operational challenges that stemmed from mechanical difficulties encountered at its compressor facilities. Alliance reduced AOS levels for a number of months during 2002 to investigate and remediate the mechanical difficulties encountered at its compressor facilities. These remediation efforts have proven to be successful as AOS levels were restored to normal levels during the last quarter of 2002. In 2003, increased reliability of the compressors, together with effective maintenance and capacity management, contributed to record levels of throughput. To date in 2004, Alliance has met its contracted daily firm service shipping requirements and shippers continue to utilize high levels of AOS.

During 2003, Alliance undertook scheduled 25,000-hour compressor overhaul programs which confirmed that the equipment is standing up well to current operating demands. Additional overhauls will be conducted on a rotating basis on the mainline compressor stations going forward. Alliance also completed in 2003 the second year of a three-year baseline inspection program of the mainline and lateral pipeline systems. The second year of the program brings the inspection of the pipeline to 70 percent completion on the lateral pipeline and 72 percent completion on the 36-inch mainline system. The inspections did not result in any material anomalies being detected and confirmed the integrity of the pipeline system.

For the year ended December 31, 2003, transportation revenues decreased to $828 million compared with $842 million for 2002, reflecting the significant appreciation of the Canadian dollar, which more than offset an increase in the cost of service. This cost of service increase relates primarily to higher interest costs associated with the long-term fixed-rate debt, a redetermination of the investment base and the adjustment for the return on equity and allowance for Partners' taxes, each of

which are recoverable from shippers in the transportation tolls.

Net income before taxes for the year ended December 31, 2003 was $251 million compared with net income before taxes of $246 million for the year ended December 31, 2002. Net income reflects the after tax return on equity applied to the investment base. During the year ended December 31, 2003, Alliance received a US $10.2 million refund of state sales tax originally paid during construction of the pipeline. Subsequent to the receipt of the sales tax refund, the final actual construction cost of the pipeline was re-evaluated and the allowed after tax equity return on the U.S. investment base was increased to 10.8 percent from 10.7 percent, resulting in a cumulative adjustment of US $1.6 million to the equity portion of the allowance for funds used during construction. The rate used to calculate the equity return on the Canadian rate base for the year ended December 31, 2003 was 11.3 percent, consistent with 2002. Increased net income in 2003 reflects this adjustment as well as a cumulative adjustment to the after-tax return on equity resulting from a re-determination of the investment base on which the equity return is calculated. Going forward, the rate used to calculate the equity return is not expected to change; however, the absolute annual return realized on the rate base will decline over time as the rate base is depreciated. Ongoing capital additions to the rate base will offset the rate of decline to some extent.

Cash provided by operating activities was $358 million for the year ended December 31, 2003, compared to $375 million for the year ended December 31, 2002. The decrease in cash flow from operations for the current year, compared to the prior year, relates mainly to the impact of Canadian dollar appreciation, transportation revenue adjustments resulting from the prior year's estimated tolls exceeding the actual toll and an increase in negotiated depreciation collected in the tolls during the year.

Additions to property, plant and equipment for the year ended December 31, 2003 decreased to $45 million compared with $67 million for 2002. The decrease in additions to property, plant and equipment compared to the prior year reflects a modest capital program undertaken during 2003, while 2002 expenditures included the expansion of the Kaybob lateral system, compressor station upgrades and pipeline valve modifications.

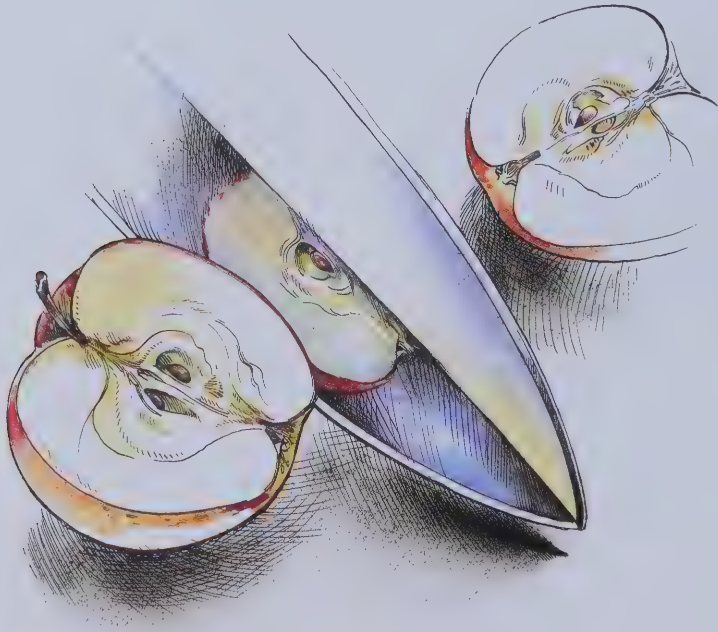
Alliance made distributions to its partners (including Fort Chicago) in the aggregate amount of $241 million in respect of 2003 compared with $223 million in 2002. This increase is primarily attributable to a $14 million decline in holdbacks to fund Alliance's capital expenditure programs, a non-recurring payment of $14 million on account of a sales tax refund received, partially offset by the negative impact of a stronger Canadian dollar, which reduced the Canadian dollar value of Alliance's net U.S. cash flows by $11 million. On January 29, 2004, Alliance paid a $54.5 million distribution to its partners (including Fort Chicago).

OUTLOOK

Alliance will continue to focus its efforts in 2004 on managing system assets and infrastructure and further developing its operational procedures and processes with a view to maximizing available transportation capacity and the competitiveness of its rates. Over the longer term, Alliance is well positioned to cost-effectively expand its pipeline system through the installation of additional compression. This expansion will be driven by the desire of producers to transport additional volumes of WCSB or Northern gas to Midwest or Eastern markets.

A Double-Edged Sword

Aux Sable's NGL Business is an integral and necessary part of our Pipeline Business.



While NGL markets remain challenging, we are focused on improving the performance of this investment.

AUX SABLE

The comments below relate to Aux Sable, which is comprised of Aux Sable Liquid Products LP, Aux Sable Canada LP and Alliance Canada Marketing L.P. (collectively, "Aux Sable"). All financial information is in Canadian dollars unless otherwise noted and, as it relates to Aux Sable's financial results, has been extracted from the audited combined financial statements of Aux Sable, which were prepared in accordance with Generally Accepted Accounting Principles in Canada. They do not include the assets, liabilities, revenues and expenses of the partners nor do they reflect income tax as this is allocated to the partners. Certain forward-looking statements and information are also provided. Forward-looking statements and information, by their nature, involve risk and uncertainty, which may cause actual results to differ materially from those expressed or implied herein.

FINANCIAL AND OPERATING HIGHLIGHTS

	YEAR ENDED DECEMBER 31	
[illegible]	[illegible]	[illegible]
Revenues	$ 597	$ 424
Net income (loss)	$ (40)	$ (33)
Sales volumes (thousand barrels per day)		
Ethane	24.3	23.1
Propane plus	26.1	25.7
	50.4	48.8
NGL injections (thousand barrels per day)	6.7	4.2
Natural gas fuel and energy make-up purchases (million British thermal units per day ("mmbtu"))	160,000	164,000
Total assets	$ 620	$ 762
Total long-term liabilities	$ 27	$ 20
Partners' equity	$ 524	$ 601

Aux Sable operates as a natural gas liquids ("NGL") extraction and fractionation business (the "NGL Business"), which is jointly controlled by Fort Chicago Energy Partners L.P. (42.7 percent ownership) and Enbridge Inc. (42.7 percent ownership). The NGL Business consists of (i) a world-scale NGL extraction and fractionation facility capable of processing up to 2.1 billion cubic feet of natural gas per day and recovering up to 100,000 barrels per day of NGL consisting of ethane, propane, normal butane, iso-butane and natural gasoline, (ii) storage and distribution facilities, (iii) approximately 76 million cubic feet per day of long-term firm transportation capacity on the Alliance Pipeline, and (iv) NGL injection facilities connected to the Alliance Pipeline in Alberta and British Columbia.

The plant, which went into service in December 2000, is a key facility that manages the higher heat content levels associated with the energy-rich natural gas flowing in the Alliance Pipeline within specified parameters in order to meet downstream pipeline heat content requirements. The plant is strategically located in Channahon, Illinois at the terminus of the

More Than One Basket

An important part of our growth strategy is to pursue accretive acquisitions of energy infrastructure assets that are capable of generating stable results and diversify our asset base.

Alliance Pipeline and close to major markets that are frequently NGL supply-constrained in the first and fourth quarters of each year. Today, Aux Sable is a significant supplier of propane and ethane to the Midwestern U.S., particularly in Illinois and its neighbouring states. Commercial arrangements are in place to distribute all of its production, the majority of which are long-term in nature. These arrangements include exchange agreements, which provide access to U.S. Gulf Coast markets. The firm transportation capacity and injection facilities are an important part of Aux Sable's business as they provide access to additional NGL supply and natural gas for its fuel and energy make-up requirements.

The NGL produced by Aux Sable are an integral component of numerous products used directly as energy products (including home and industrial heating, crop drying, cooking and motor fuel) and as feedstock for the petrochemical industry (for the production of ethylene, propylene, butadiene and other derivatives, which are used to produce products such as polyethylene, rubber, plastics, solvents and foam materials) and crude oil refining (for gasoline and gasoline blending). As a consequence, overall economic activity and weather conditions provide strong influences on the demand for NGL. Crude oil and natural gas prices, commodity inventory positions as well as seasonal factors strongly influence NGL extraction margins.

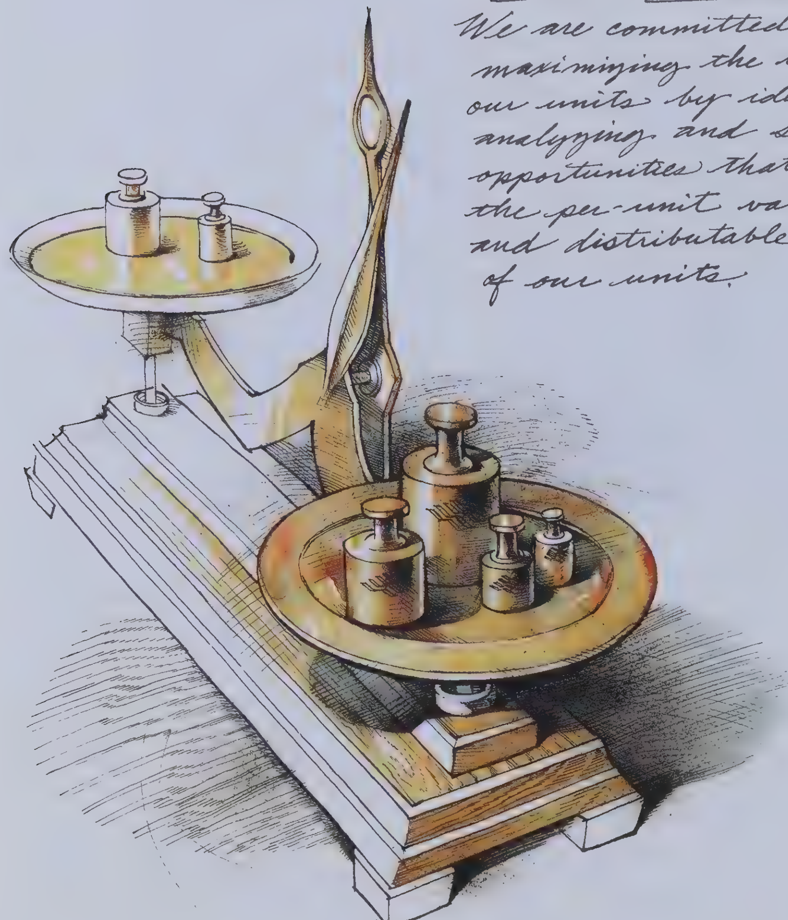
[illegible] OPERATIONS

In 2003 Aux Sable delivered excellent safety results, outstanding environmental performance and further reductions in costs. NGL plant recoveries continued to improve with consistently high levels of operational reliability. Financially, Aux Sable continued to face challenging market conditions stemming from industry low NGL extraction margins. While certain months yielded positive margins, the NGL market in the remaining months was much less favourable. For the year ended December 31, 2003, Aux Sable's net loss was $40 million, compared with a net loss of $33 million for the year ended December 31, 2002.

Natural gas prices in 2003 increased by 67 percent while crude prices, which are somewhat correlated to NGL prices, increased 19 percent. Within the year there was a significant increase in the price of natural gas during February and March, which was driven by an extended cold period and extremely low natural gas inventories. Natural gas prices remained high over the balance of the year with modest decreases occurring at the beginning of the fourth quarter. For 2003, Chicago natural gas prices averaged US $5.56 per mmbtu (2002 – US $3.33 per mmbtu). Crude prices remained strong in the first quarter, declined in the second quarter and strengthened again over the balance of the year to average US $31.16 per barrel (2002 – US $26.13 per barrel). These price movements resulted in industry-wide decreases in extraction margins. In 2003, U.S. Gulf Coast extraction margins averaged US 5.9 cents per gallon compared with US 7.3 cents per gallon in 2002. During 2002, throughput volumes at the plant were reduced due to lower natural gas volumes on the Alliance Pipeline. Also, depressed ethane extraction margins resulted in the decision to curtail, for extended periods, ethane production. In 2003, Alliance operated at record levels providing Aux Sable with more NGL volume than 2002. Aux Sable managed its production to meet its heat content management obligations and volume commitments under commercial contracts while maximizing variable contribution margins through NGL injections and tight cost control. NGL injections continue to grow, increasing 109 percent to 6,700 barrels per day from 3,200 barrels per day in 2002 and made an

Tipping The Scales

We are committed to maximizing the value of our units by identifying, analyzing and seizing opportunities that increase the per-unit value and distributable cash of our units.



increasingly positive contribution to earnings during each year. During the fourth quarter, sales volumes and profitability increased as a result of a return to more economic extraction margins.

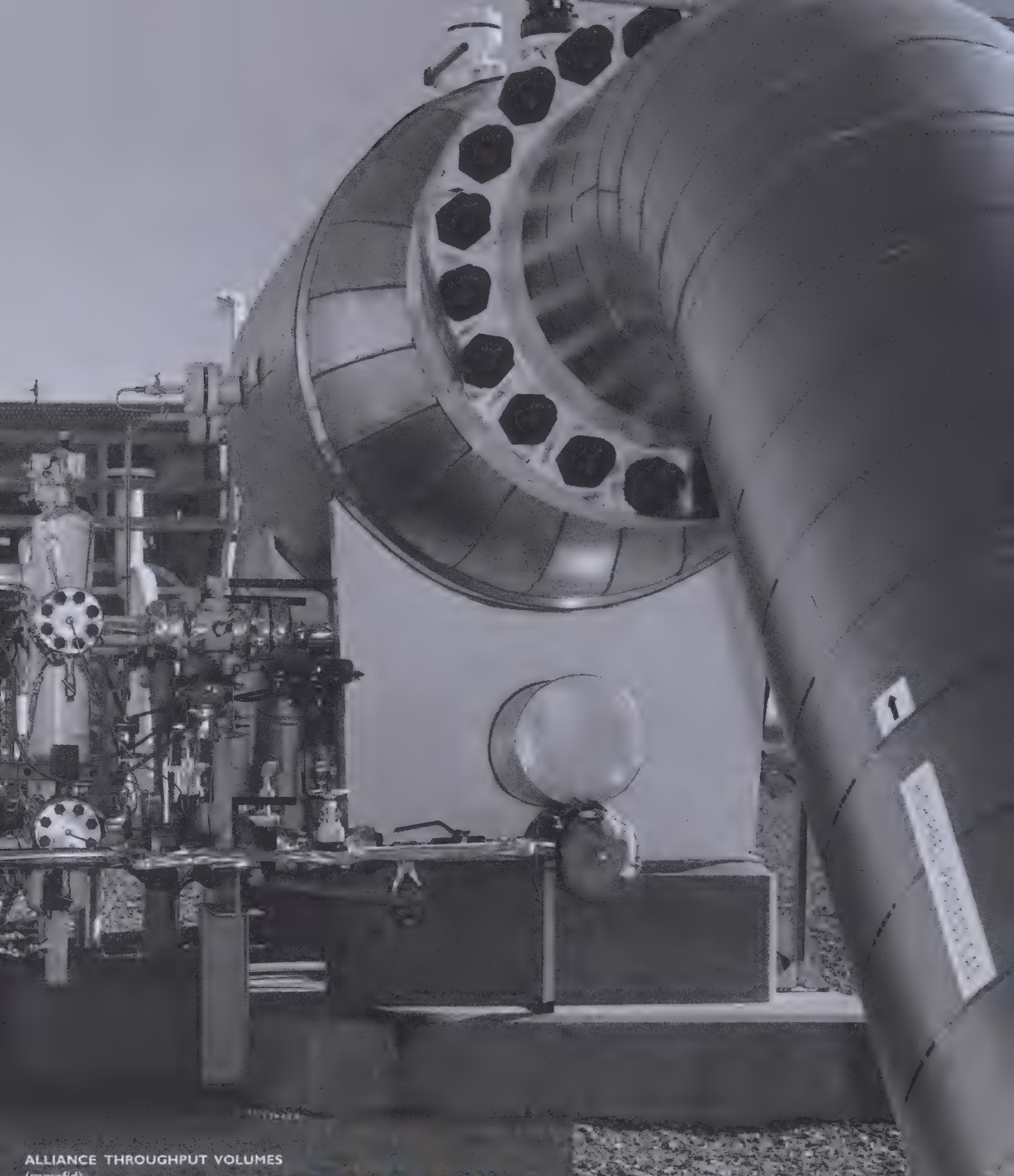
Capital expenditures for Aux Sable for the year ended December 31, 2003 were modest at $3.5 million compared with $7.1 million for the prior year. Capital expenditures in 2004 are not expected to change significantly.

During 2003, Aux Sable, with the support of its owners, repaid its original U.S. term and revolving credit facilities and established a new U.S. committed revolving facility with borrowing capacity of up to US $45 million, which, together with a new $7 million revolving facility, will be used to fund working capital requirements. As at December 31, 2003, Aux Sable had borrowings of $12 million under these facilities.

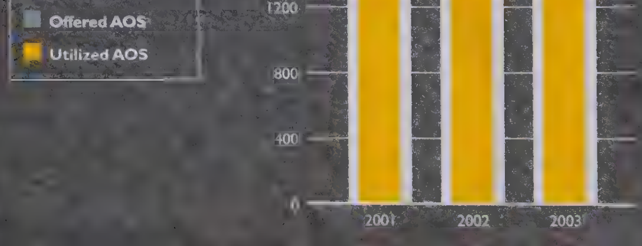
In order to reduce the price exposure to natural gas and natural gas liquids, a hedging policy was adopted in August 2003, which permits, within established parameters, entering into hedging transactions. The primary objective of the hedging policy is to protect against adverse natural gas price spikes, principally during the winter months, in respect of Aux Sable's core natural gas fuel and energy make-up requirements of approximately 6,000 mmbtu/d and 100,000 mmbtu/d, respectively. Since implementation of this policy, a number of hedges have been executed. Aux Sable, however, remains largely unhedged as the forward markets for ethane, propane and butane are not well developed in terms of their depth and liquidity and the forward extraction margins have generally been unattractive.

OUTLOOK

Aux Sable will continue to focus on delivering outstanding safety and environmental performance and on further increasing plant reliability and flexibility to optimize the performance of its existing NGL plant capacity of 100,000 barrels per day. In this regard, Aux Sable will seek opportunities to grow the NGL injection component of its business and pursue commercial opportunities, including fee-for-service arrangements, which will improve plant utilization and increase Aux Sable's profitability. In 2004, it is expected that NGL extraction margins will remain relatively depressed as the relationship between natural gas and NGL will remain tighter, on average, than has historically been the case, while the NGL injection margins are projected to rebound. Looking forward, Aux Sable is well positioned to cost-effectively process additional natural gas volumes from the Alliance Pipeline.



ALLIANCE THROUGHPUT VOLUMES
(mmcf/d)



This Management's Discussion and Analysis ("MD&A") dated March 9, 2004 provides a review of the significant events and transactions that impacted Fort Chicago's performance during 2003 relative to 2002. Certain forward-looking statements and information are provided. Forward-looking statements and information, by their nature, involve risk and uncertainty, which may cause actual results to differ materially from those expressed or implied herein. This MD&A should be read in conjunction with the consolidated financial statements of Fort Chicago for the year ended December 31, 2003 as well as the profiles of Alliance and Aux Sable, each of which is included in the 2003 Annual Report. Capitalized terms used herein and not otherwise defined have the same meanings attributed to them in the December 31, 2003 consolidated financial statements. All financial information is in Canadian dollars unless otherwise noted and, as it relates to Fort Chicago's financial results, has been extracted from its annual audited or quarterly unaudited consolidated financial statements, which have been prepared in accordance with Generally Accepted Accounting Principles in Canada. Financial information pertaining to Alliance and Aux Sable reflects Fort Chicago's proportionate share unless otherwise noted. Fort Chicago's 2003 results are not readily comparable to its 2002 results due to Alliance and Aux Sable being proportionately consolidated effective April 1, 2003, prior to which they were accounted for using the equity method. Additional information concerning the Partnership is available on SEDAR at www.sedar.com or on the Partnership's website at www.fortchicago.com.

FINANCIAL & OPERATING HIGHLIGHTS

	YEAR ENDED DECEMBER 31		
($ THOUSANDS, EXCEPT WHERE NOTED)	2003	2002	2001
Revenues[1]	519,485	220	(4,397)
Net income			
Pipeline	68,735	–	–
NGL	(14,012)	–	–
Corporate	11,434	25,734	14,095
	66,157	25,734	14,095
Net income per Class A Unit – basic and diluted	0.64	0.35	0.19
Distributions			
Distributable cash[2]	73,274	44,889	49,625
Distributable cash per Class A Unit[2]	0.822	0.608	0.678
Distributions paid or payable	67,111	48,748	49,045
Distributions paid or payable per Class A Unit	0.750	0.660	0.670
Tax losses allocated to Unitholders per Class A Unit	0.019	0.340	0.570
Pipeline throughput (100%, bcf/d)	1.588	1.481	1.479
NGL production (100%, thousand bbls/d)	50.4	48.8	45.5

(1) *Includes foreign exchange gains and losses.*

(2) *Distributable cash is not a standard measure under Generally Accepted Accounting Principles in Canada and may not be comparable to similar measures presented by other entities. The calculation of distributable cash represents the cash expected to be available to the Partnership for distribution to holders of Class A Units and therefore does not include distributable cash, if any, available in Alliance and Aux Sable. Distributable cash is an important measure used by the investment community to assess the source and sustainability of the Partnership's cash distributions and should be used to supplement other performance measures prepared in accordance with Generally Accepted Accounting Principles in Canada. For a reconciliation of distributable cash and cash flow from operating activities, see note 19 contained in Fort Chicago's consolidated financial statements for the year ended December 31, 2003, which follow this MD&A.*

FINANCIAL HIGHLIGHTS

($ THOUSANDS, EXCEPT WHERE NOTED)	DECEMBER 31 2003	2002
Financial position		
Cash and short-term investments	56,503	11
Investment in Alliance and Aux Sable	–	774,685
Pipeline, plant and other capital assets	2,467,218	–
Total assets	2,758,089	801,946
Long-term debt and capital leases	1,649,226	251,208
Partners' equity	802,956	469,720
Class A Units outstanding (units)	101,142,290	74,372,673

MAJOR TRANSACTIONS

Fort Chicago successfully completed several accretive acquisitions and financings in 2002 and 2003, which have increased earnings and distributable cash flow as well as the publicly traded market value of the Partnership's Class A Units and Convertible Debentures. Collectively, these transactions are the primary factors contributing to Fort Chicago's improved earnings and distributions. Furthermore, as a consequence of the 2003 acquisitions, Alliance and Aux Sable became jointly controlled businesses, resulting in each being proportionately consolidated effective April 1, 2003. Prior to that time, Alliance and Aux Sable were accounted for using the equity method. As a result, a comparison of Fort Chicago's 2003 financial position and results to that of 2002 is less meaningful due to this change in accounting. The timeframe and amounts applicable to each of these acquisitions and financings are highlighted in the timeline on pages six and seven of this annual report.

RESULTS OF OPERATIONS

Overall In 2003, Fort Chicago's annual revenues, net income and distributable cash increased. Reported 2003 revenues of $519.5 million were $519.3 million higher than the prior year. Net income was $66.2 million or $0.64 per Class A Unit compared to $25.7 million or $0.35 per Class A Unit for 2002. Distributable cash was $73.3 million or $0.822 per Class A Unit compared to $44.9 million or $0.608 per Class A Unit for 2002. The improvement in revenue is principally due to increased ownership interests in Alliance and Aux Sable and their proportionate consolidation commencing on April 1, 2003, increased pipeline tolls and NGL prices. The improvements in earnings and distributions are primarily attributable to the following factors:

- increased ownership interests in Alliance and Aux Sable;
- higher interest costs associated with the bridge financing used by the Partnership to fund its acquisitions;
- historically low NGL margins due to higher natural gas prices;
- an increase, from 10.7 percent to 10.8 percent, in the U.S. pipeline's return on equity resulting from a sales tax refund and a cumulative adjustment to the return on equity resulting from a re-determination of the pipeline rate base;
- an 18 percent appreciation of the Canadian dollar relative to the U.S. dollar, which lowered the Canadian dollar value of Fort Chicago's U.S. denominated revenue, net earnings and cash flows. This was more than offset by foreign exchange gains in respect of U.S. denominated debt;
- scheduled increases in the negotiated pipeline toll, which more than offset a decline in the rate base; and

- a non-recurring distribution of US $5.0 million received from Alliance U.S. in connection with a sales tax refund from the State of Minnesota for tax paid during pipeline construction.

As at December 31, 2003, the Canadian dollar exchange rate was Cdn $1.2924 per U.S. dollar. If unchanged, this will reduce the Canadian dollar value of Fort Chicago's U.S. source net income and distributions to Unitholders going forward. This appreciation has also reduced the Canadian dollar value of the Partnership's net U.S. investments by approximately $84.8 million. This unrealized foreign exchange loss is recorded in the cumulative translation adjustment account, which is a component of Partners' equity.

PIPELINE BUSINESS

From an operational perspective, the Alliance Pipeline performed well during the year as a result of meeting or exceeding its operational targets. During the year, Alliance consistently met its contracted 1.325 bcf/d of firm service shipping capacity, which is the principal driver influencing its contracted rate of return of approximately 11 percent. This rate of return is not expected to change. However, the dollar return will decline over time as the rate base is depreciated. Ongoing capital additions to the rate base will offset the rate of decline to some extent.

Actual transportation deliveries averaged 1.59 bcf/d (20 percent in excess of firm capacity) for the year ended December 31, 2003 compared with average deliveries of 1.48 bcf/d (12 percent in excess of firm capacity) for the year ended December 31, 2002, reflecting improved reliability of the pipeline's compressor equipment. This increased throughput serves to further reduce the overall effective per-unit transportation cost for shippers.

Alliance's revenues are backed by long-term firm-service transportation services contracts with a group of 33 shippers. The contracts have an initial 15-year term ending in 2015 but, subject to five-year notice periods, can be extended annually thereafter. The transportation service contracts obligate each shipper to pay monthly demand charges based on that shipper's contracted volume, regardless of volumes actually transported on the Pipeline. These charges are subject to limited rights for each shipper to receive demand charge credits to the extent Alliance is unable, for any reason related solely to the physical capability of the Pipeline, to transport volumes of natural gas up to the shipper's contracted capacity that were properly scheduled for delivery. If incurred, demand charge credits would decrease Alliance's revenue, net income and cash flow from operations. No such credits were incurred in 2003 or 2002.

On October 30, 2003, Alliance Canada filed its toll for fiscal 2004 in the amount of $0.80/mcf, up from $0.77/mcf in 2003. On November 27, 2003, Alliance U.S. filed its toll for fiscal 2004 in the amount of US $0.53/mcf up from US $0.51/mcf in 2003. These increases primarily reflect the lower prior year over recoveries included in the 2004 toll compared with 2003.

NGL BUSINESS

Aux Sable performed well operationally in 2003, delivering excellent safety and environmental performance and achieving further reductions in its operating costs. NGL recoveries continued to improve with consistently high levels of plant reliability. From a financial perspective, however, Aux Sable continued to face a challenging market with NGL extraction margins remaining at historically low levels. In 2003, gas prices increased by 67 percent while crude prices, which are more closely correlated with NGL prices, increased by only 19%. These price movements resulted in reduced margins for most of 2003 and more than offset the benefits of increased throughput from Alliance, including increased injections, during 2003. Beginning in the fourth quarter, Aux Sable's margins did improve and in fact turned positive as a consequence of moderating gas prices and higher NGL prices. In August, Aux Sable also implemented a hedging policy, with the primary focus being to protect against

adverse natural gas price spikes during the winter months in respect of its fuel requirements of approximately 6,000 mmbtu/d and its core natural gas shrinkage requirements of approximately 100,000 mmbtu/day (see also the section below entitled "Business Risks" as well as note 16 contained in the consolidated financial statements of Fort Chicago, which follow this MD&A).

FOURTH QUARTER RESULTS

For the three-month period ended December 31, 2003, Fort Chicago reported revenues of $193 million, net income of $26.7 million, and distributable cash of $22.8 million compared with 2002 fourth quarter reported revenues of ($0.259) million, including foreign exchange losses, net income of $6.8 million, and distributable cash of $12.9 million. The increase in revenue is principally due to increased ownership interests in Alliance and Aux Sable and their proportionate consolidation commencing on April 1, 2003. The improvements in earnings and distributions are primarily attributable to the following factors:

- increased ownership interests in Alliance and Aux Sable;
- improved performance from the NGL Business, which benefited from higher NGL production volumes and margins;
- an increase in the U.S. pipeline's return on equity resulting from a sales tax refund and a cumulative adjustment to the return on equity resulting from a re-determination of the pipeline rate base;
- an 18 percent appreciation of the Canadian dollar relative to the U.S. dollar; and
- scheduled increases in the negotiated pipeline toll, which supported higher cash distributions.

Natural gas transportation deliveries on the Alliance Pipeline, including authorized overrun service ("AOS"), remained strong, averaging 1.59 bcf/d for the three months ended December 31, 2003, unchanged from the comparable period in the prior year. NGL margins improved significantly in the fourth quarter, resulting in increased production and sales and a record cash profit for the period. During the fourth quarter, sales volume averaged 66.2 thousand barrels per day (2002 – 46.8 thousand barrels per day), NGL sales prices averaged US 51 cents per gallon (2002 – US 48 cents per gallon), and Chicago gas prices averaged US $5.18 per mmbtu (2002 – US $4.26 per mmbtu).

On October 15, 2003, Fort Chicago issued 9,065,000 Class A Units at $9.65 per Class A Unit and $62.5 million of 6.75 percent Convertible Unsecured Subordinated Debentures, Series B, due December 31, 2010, which together raised total proceeds of $150 million or approximately $142.7 million, net of issue costs. Proceeds from these offerings were used to repay Fort Chicago's outstanding bank indebtedness (see section below entitled "Liquidity and Capital Resources").

QUARTERLY FINANCIAL HIGHLIGHTS

	THREE MONTHS ENDED 2003			
($ THOUSANDS, EXCEPT WHERE NOTED)	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
Revenues[1]	6,752	150,302	169,228	193,203
Net income	14,956	14,662	9,821	26,718
Net income per Class A Unit ($)				
Basic	0.17	0.15	0.08	0.23
Diluted	0.16	0.15	0.08	0.22
Distributable cash	16,796	17,944	15,688	22,846
Distributable cash per Class A Unit ($)	0.225	0.200	0.172	0.226

	THREE MONTHS ENDED 2002			
($ THOUSANDS, EXCEPT WHERE NOTED)	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
Revenues[1]	104	2,647	(2,272)	(259)
Net income	5,943	7,941	5,062	6,788
Net income per Class A Unit ($)				
Basic and diluted	0.08	0.11	0.07	0.09
Distributable cash	10,446	9,935	11,629	12,879
Distributable cash per Class A Unit ($)	0.142	0.135	0.157	0.173

[1] Includes foreign exchange gains and losses

Revenues in 2003 are not comparable with the prior year as a result of Alliance and Aux Sable being proportionately consolidated effective April 1, 2003. Prior to this time, Fort Chicago's interests in Alliance and Aux Sable were accounted for using the equity method. Quarterly net income and distributions improved year over year primarily due to Fort Chicago's increased ownership interests in Alliance. Other factors influencing quarterly net income and distribution performance were, (i) the appreciation of the Canadian dollar, which negatively impacted Fort Chicago's U.S. net income and cash distributions received from Alliance U.S., (ii) realized and unrealized foreign exchange gains on the Fort Chicago's U.S. dollar debt, except during the third quarter when the dollar remained largely unchanged, (iii) a non-recurring distribution of US $5.0 million received from Alliance U.S. during the third quarter in connection with a sales tax refund, and (iv) higher Partnership financing and administration costs.

Net income generated by the Pipeline Business remained steady throughout the year and increased in the fourth quarter primarily due to an increase in the U.S. return on equity and from a cumulative adjustment to the return on equity resulting from a re-determination of the Pipeline rate base. The NGL Business faced challenging and volatile markets throughout the year. After reporting operating losses in each of the first three quarters of 2003, Aux Sable generated cash operating profits of approximately US $6.3 million during the fourth quarter.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows For the year ended December 31, 2003, cash provided from operating activities was $99.4 million compared with $42.5 million in the preceding year, primarily reflecting the impact of Fort Chicago's increased ownership interests in Alliance and Aux Sable and their proportionate consolidation commencing on April 1, 2003. Cash flows generated by Alliance during 2003 of $113.0 million are supported by long-term natural gas transportation contracts, which provide an approximate 11 percent return on equity over their term. Cash flows from the Partnership's NGL Business can vary significantly since the cost of shrinkage make-up gas, the largest cost component of producing NGL, is not tied to the prices received for Aux Sable's NGL products. During 2003, Aux Sable's deficit from operating activities was $12.4 million. This resulted in equity contributions being made by Aux Sable's owners. During 2003, Fort Chicago contributed $27.4 million to the NGL Business of which $10.4 million was in respect of cash operating losses. The balance was used to refinance maturing credit facilities.

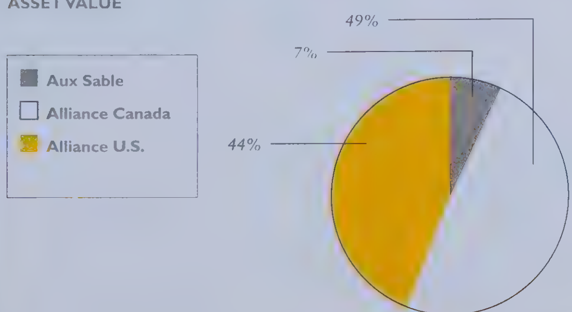
Financing activities reflected in Fort Chicago's statement of cash flows included the refinancing by Alliance of its remaining initial project financing with long-term senior notes; Fort Chicago's refinancing of its bridge acquisition facilities with $212.5 million of Convertible Debentures and $222.4 million of Class A Units; interest on Convertible Debentures, as it is not included in the determination of net earnings; and cash distributions paid

CAPITALIZATION

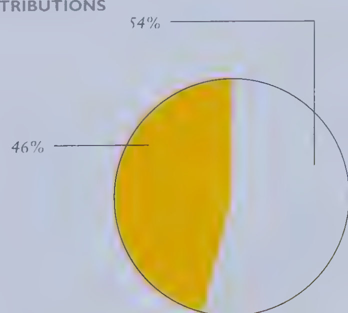
	AS AT DECEMBER 31			
($ THOUSANDS, EXCEPT WHERE NOTED)		2003		2002
Partners' equity	599,676	23%	469,720	60%
Convertible debentures	203,280	8%	–	–
Debt and capital leases	1,720,827	67%	314,551	40%
Long-term liabilities[1]	38,771	2%	–	–
	2,562,554	100%	784,271	100%

(1) Includes current portion

ASSET VALUE



SOURCE OF DISTRIBUTIONS



during the year of $47.8 million (2002 – $41.9 million). Cash Distributions excluded $12.5 million (2002 – $6.3 million) of distributions satisfied through the issuance of Class A Units under the Partnership's DRIP Plan.

Investing activities reflect Fort Chicago's additional investments in Alliance and Aux Sable valued at $202.6 million, a $6.8 million sales tax refund in respect of Alliance U.S., and $17.2 million of capital expenditures mainly attributable to the Alliance Pipeline.

At year end, cash and short-term investments totalled $56.5 million. A significant portion of this balance represents funds held in trust accounts pursuant to security and financing agreements applicable to Alliance. The majority of these funds, $36.7 million, are permitted to be used by Alliance for current operating and working capital purposes. Cash and short-term investments consist of amounts held in cash deposit accounts with a Canadian chartered bank, as well as highly liquid short-term investments.

During 2003 and 2002, the Partnership established non-revolving committed bridge acquisition credit facilities in an aggregate amount of $410 million. These facilities were utilized by Fort Chicago to purchase additional interests in Alliance and Aux Sable and were subsequently repaid from the net proceeds of several public offerings of Convertible Debentures and Class A Units, which after issue costs, raised $203.0 million and $210.5 million, respectively.

The 7.5 percent Convertible Unsecured Subordinated Debentures, Series A, due June 30, 2008, were issued in January 2003 with an aggregate face value of $150 million. These debentures are convertible, at the holder's option, into Class A Units at a conversion price of $9.00 per Class A Unit. During the year ended December 31, 2003, $9.2 million of Series A Convertible Debentures were converted into Class A Units. The 6.75 percent Convertible Unsecured Subordinated Debentures, Series B, due December 31, 2010, were issued in October 2003 with an aggregate face value of $62.5 million. The Series B Convertible Debentures are convertible, at the holder's option, into Class A Units at a conversion price of $10.70 per Class A Unit. No Series B Convertible Debentures had been converted into Class A Units as at December 31, 2003. These Convertible Debentures are classified as partners' equity for accounting purposes, and the related interest costs are charged against undistributed income.

The Partnership maintains a $60 million extendible revolving credit facility which is used for general corporate purposes, including short-term working capital requirements. This facility matures on June 30, 2004, but may be extended from time to time for additional 364-day periods with the approval of the lenders. Management anticipates that this facility will be extended. As at December 31, 2003, the Partnership had no borrowings under this revolving credit facility.

Supplementing Fort Chicago's strong cash flows and committed revolving credit facility are two Canadian Short Form Base Shelf Prospectuses filed in 2003, which provide ready access to the capital markets. One is dated January 7, 2003 and provides for the issuance of up to $350 million of subordinated unsecured debt securities while the other is dated August 15, 2003 and provides for the issuance of up $500 million of partnership units, in each case over a 25-month period. As at December 31, 2003, up to an additional $137.5 million and $412.5 million could be issued under these prospectuses, respectively.

During 2003, Alliance completed several public offerings of senior notes and established new credit facilities, the proceeds from which were used to reduce and refinance existing bank debt, including the repayment and cancellation of its initial incremental and revolving credit facilities. This completed Alliance's refinancing of the initial construction facilities and significantly reduced the refinancing risk and potential volatility of its transportation rates that previously existed. The term and amortization associated with Alliance's senior debt approximates the depreciation rates contained in the transportation contracts. At December 31, 2003, Alliance's bank credit facilities consisted of a $95 million Canadian credit facility and a US $62.5 million U.S. credit facility. The Canadian Credit Facility contains an initial

364-day revolving term expiring in May 2004, which if not extended can be converted into a subsequent two-year non-revolving loan. The U.S. Credit Facility is a three-year term facility, which expires May 30, 2006. At December 31, 2003, $50 million of letters of credit and $17.6 million of borrowings were outstanding under the Canadian facility while US $35 million of letters of credit and US $16.4 million of borrowings were outstanding under the U.S. facility. The letters of credit are used to satisfy debt service reserve requirements required under Alliance's financing agreements. Previously, this requirement was satisfied by a combination of cash deposits and letters of credit provided directly by Alliance's owners, including Fort Chicago. Together with significant internally generated cash flows, this new debt structure strengthens Alliance's overall financial position and flexibility going forward and is considered sufficient to support its capital requirements going forward. At December 31, 2003, Alliance's debt was rated by each of Dominion Bond Rating Service Limited (A (low)), Moody's Investors Service (A3) and Standard & Poor's (BBB+).

In August 2003, Aux Sable established a new U.S. committed revolving facility in the amount of US $19.2 million, which matures on December 31, 2005. This new credit facility, together with additional funding provided from its owners, including Fort Chicago, replaced a prior US $25.6 million credit facility. As at December 31, 2003, US $7.7 million was drawn on this facility, comprising US $3.85 million in loans and US $3.85 million in letters of credit. Aux Sable is substantially equity financed and since inception has been dependent upon the support of its owners.

CREDIT AND STABILITY RATINGS

Maintaining strong and stable ratings is a key overall objective of Fort Chicago's financing strategy so as to provide for long-term ready access to the capital markets on attractive terms and conditions.

Fort Chicago's senior unsecured debt carries an investment credit grade of BBB by Standard & Poor's. This rating applies both to the senior notes issued by the Partnership's subsidiaries and to any amounts outstanding under its credit facility. This long-term corporate credit rating does not apply to the Convertible Debentures issued by the Partnership. A negative outlook was placed on this rating earlier in the year, primarily as a consequence of the announced acquisitions and the risk associated with refinancing the bridge acquisition credit facilities. With the refinancing now complete, management anticipates that this negative outlook will be removed.

The Partnership's Class A Units are rated by Dominion Bond Rating Service, who assigns and publishes stability ratings in respect of such securities. The stability rating provides an indication of both the stability and sustainability of Fort Chicago's distributions. In May, 2003, Dominion Bond Rating Service assigned a stability rating of STA-2 (low) to the Class A Units of Fort Chicago, which reflects very good stability and sustainability of distributions.

DISTRIBUTIONS

Policy Up to and including December 31, 2003, the Partnership's distribution policy was to make distributions to Unitholders on a quarterly basis. Payments were made on or before the 30th day after each quarterly record date. On January 14, 2004, the Partnership announced the adoption of a monthly cash distribution policy effective January 1, 2004, which replaces the previous quarterly cash distribution policy. Distributions are now paid to Unitholders of record as at the last business day of each month on the 23rd day following such record date, or if not a business day, then on the preceding business day. For each of January and February 2004, the Partnership has declared a distribution of $0.06875 per Class A Unit.

DETERMINATION OF DISTRIBUTION

The amount of distributable cash available to the Partnership will vary depending on, (i) the amount of distributions received from Alliance and Aux Sable, (ii) the economics of operating Aux Sable, including the amount of any support payments related to its marketing

ATTRACTIVE TOTAL RETURNS – UP TO DECEMBER 31, 2003
(annualized total return %)

or extraction activities, (iii) the amount of cash held in reserve by the Partnership, (iv) the financing costs of the Partnership, including requirements to retire indebtedness of the Partnership and applicable subsidiaries, and (v) the operating expenses of the Partnership.

For the three-month periods and years ended December 31, 2003 and 2002, the distributable cash calculation is set out below. During 2003, the Partnership generated $73.3 million of distributable cash and paid distributions of $67.1 million, leaving a year-end distributable cash deficit, since inception, of $2.5 million compared with a deficit of $8.6 million in the prior year.

DISTRIBUTABLE CASH OF THE PARTNERSHIP

	THREE MONTHS ENDED DECEMBER 31		YEAR ENDED DECEMBER 31	
($ THOUSANDS, EXCEPT WHERE NOTED)	2003	2002	2003	2002
Cash inflows				
Distributions received prior to withholding for capital expenditures	27,688	21,158	113,836	68,985
Interest income	247	5	429	120
	27,935	21,163	114,265	69,105
Cash outflows				
General and administration	(2,277)	(2,552)	(4,881)	(4,472)
Realized foreign exchange gain (loss)	7,284	(582)	9,840	(502)
Interest and other finance	(2,348)	(3,278)	(13,205)	(10,245)
Interest on convertible debentures	(3,619)	–	(11,529)	–
Taxes	(1,713)	(703)	(4,203)	(2,451)
Extraction business support payments	–	–	(10,394)	–
Marketing support payments	(1,436)	–	(2,384)	(1,829)
Senior Notes – principal repayments	(980)	(1,169)	(4,235)	(4,717)
Distributable cash for the period	22,846	12,879	73,274	44,889
Distributions payable/paid	20,228	13,387	67,111	48,748
Distributions payable/paid per Class A Unit(1)	0.20	0.18	0.75	0.66

(1) The number of Class A Units used in calculating distributable cash per unit and distributions payable/paid per unit is based on an average of the number of units outstanding at each record date. For the year ended December 31, 2003, the average number of Class A Units used for purposes of this calculation was 89,135,565 (2002 – 73,844,340).

DISTRIBUTIONS PAID

The Partnership has declared and paid the following distribution to holders of Class A Units over the past two years:

($ THOUSANDS, EXCEPT WHERE NOTED)

RECORD DATE	PAYMENT DATE	DISTRIBUTION PER CLASS A UNIT ($)	DISTRIBUTION PAID/PAYABLE IN CASH	DISTRIBUTION PAID IN UNITS	TOTAL DISTRIBUTION PAID/PAYABLE
2003					
March 31, 2003	April 30, 2003	0.18	12,162	1,250	13,412
June 30, 2003	July 31, 2003	0.18	11,284	4,900	16,184
September 30,2003	October 31, 2003	0.19	11,992	5,295	17,287
December 31, 2003	January 30, 2004	0.20	14,654	5,574	20,228
		0.75	50,092	17,019	67,111
2002					
March 28, 2002	April 30, 2002	0.16	11,770	–	11,770
June 28, 2002	July 31, 2002	0.16	9,342	2,429	11,771
September 30, 2002	October 31, 2002	0.16	7,975	3,845	11,820
December 31, 2002	January 31, 2003	0.18	12,322	1,065	13,387
		0.66	41,409	7,339	48,748

For 2004, the Partnership anticipates that it will generate, over the year, distributable cash in the range of $0.77 to $0.87 per Class A Unit. This estimate is based upon approximately, (i) $1.18 to $1.23 per Class A Unit of distributions from Alliance, (ii) $(0.10) to $0.10 per Class A Unit of (support payments to)/distributions from Aux Sable, and (iii) $0.25 to $0.31 per Class A Unit of financing and administration expenses. These estimates have been prepared based on a U.S. dollar exchange rate in the range of Cdn $1.25 to $1.33 per US $1.00. The Aux Sable estimate is highly sensitive to the NGL extraction margins. Since start-up of the Aux Sable Plant on December 1, 2000, Aux Sable has been unable to generate distributions for its owners, including Fort Chicago. In order for distributions to be in the upper end of the range, Aux Sable must perform at or around break-even levels.

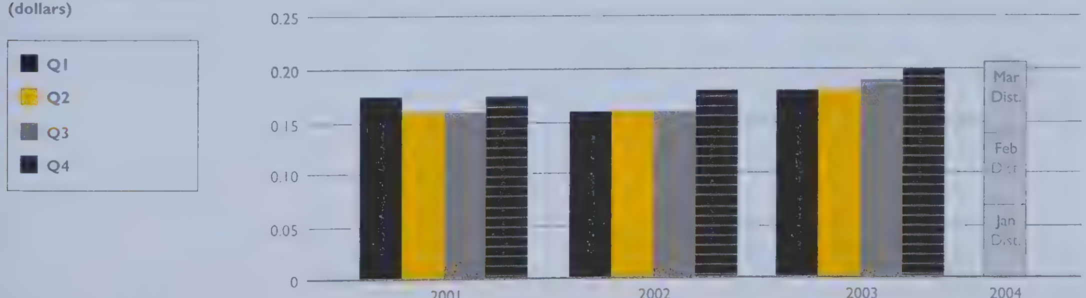
RESTRICTION ON DISTRIBUTIONS

The ability of Fort Chicago to make cash distributions to holders of Class A Units is also dependent on the terms of certain financing and security agreements applicable to the Partnership, certain subsidiaries, Alliance and Aux Sable.

The Partnership's bank credit facility imposes certain restrictions on the Partnership's ability to make cash distributions to holders of Units including, (i) limiting the Partnership's ability to incur additional debt to finance cash distributions, and (ii) prohibiting the ability of the Partnership to make distributions when a "Default" or an "Event of Default" has occurred or is continuing.

The Partnership's investment in Alliance and Aux Sable has been made via debt and equity investments in subsidiary partnerships and corporations. There are no legal or practical restrictions on such subsidiary

CASH DISTRIBUTIONS
(dollars)




AUX SABLE PRODUCTION VOLUMES
(thousand bbls/d)
Propane Plus
Ethane
60
45
30
15
0
2001
2002
2003

partnerships or corporations from transferring funds received from Alliance and Aux Sable to the Partnership except that the subsidiary corporations must meet liquidity and solvency tests under applicable corporate law. Two subsidiaries of the Partnership, which hold the direct investments in Alliance, are issuers of Series A and Series B Senior Notes. The ability of each such issuer to make distributions to its parent is, at the time of each payment, dependent upon there not being any "Event of Default," as defined in the note agreements, or any event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an "Event of Default."

The ability of Alliance to make distributions to its limited partners (including relevant subsidiaries of the Partnership) is subject to the terms of a Common Agreement, which sets out the common provisions applicable to Alliance's senior debt financing. Under this agreement, distributions or other payments are permitted provided certain conditions are met including, among other things, (i) no "Event of Default" or event, which, with the giving of notice or passage of time or both, could become an "Event of Default," shall have occurred and be continuing, (ii) certain debt service accounts and debt service reserve accounts are fully funded, and (iii) certain debt service coverage ratios and projected debt service coverage ratios are met.

Under the terms of Aux Sable U.S.'s new credit facility, Aux Sable U.S. is restricted from making any payment or other distribution on account of any ownership interest in Aux Sable U.S. (a "Restricted Payment"), except that Aux Sable U.S. may make Restricted Payments quarterly from available cash flow provided: (i) no "Event of Default" or event, which, with the giving of notice or lapse of time or both, would constitute an "Event of Default," has occurred and is continuing or would result from the making of such Restricted Payment; (ii) a certain debt service reserve account is fully funded; and (iii) no advances under the facility are outstanding or it is determined, on the date that the Restricted Payment is made, that earnings before interest, taxes, depreciation and amortization for the immediately preceding four fiscal quarters and the immediately preceding fiscal quarter were equal to or greater than US $15 million and US $2 million, respectively. However, no Restricted Payment can exceed 50 percent of earnings before interest, taxes, depreciation and amortization for the immediately preceding four fiscal quarters.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Payments due for contractual obligations in each of the next five years and thereafter are as follows:

($THOUSANDS)		PAYMENTS DUE BY PERIOD			
CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YEAR	1 – 3 YEARS	4 – 5 YEARS	AFTER 5 YEARS
Long-term debt	1,672,531	71,222	184,145	134,455	1,282,709
Capital leases	17,461	1,215	2,458	2,486	11,302
Operating leases	11,113	2,410	3,500	1,861	3,342
Other long-term obligations	38,771	6,790	10,409	4,884	16,688
	1,739,876	81,637	200,512	143,686	1,314,041

CRITICAL ACCOUNTING POLICIES

The Alliance Pipeline is subject to regulation in Canada and the United States. The consolidated financial statements of the Partnership are prepared in accordance with Generally Accepted Accounting Principles in Canada, which include specific provisions applicable to regulated businesses such as Alliance. As a consequence, the principles applied in respect of the Pipeline Business may differ from those used by non-regulated entities. In general, the differences relate principally to revenue and expense recognition.

Alliance transportation contracts are designed to provide toll revenues sufficient to recover all prudently incurred costs, including an 11 percent return on equity. The period in which costs are recovered from toll receipts may differ from the period that these costs are expensed under generally accepted accounting principles. Differences between the recorded toll revenue and actual toll receipts give rise to receivable or payable balances. Most significantly, for purposes of calculating tolls, depreciation of pipeline-in-service assets is based on negotiated rates contained in the transportation contracts, while depreciation expense under generally accepted accounting principles is recorded on a straight-line basis at a rate of four percent per annum commencing at the in-service date. The negotiated depreciation rates are generally less than the straight-line rate in earlier years resulting in accrued revenues and receivables in earlier years. These receivables are expected to be recovered from shippers in subsequent years when the negotiated depreciation in the toll exceeds the depreciation recorded for financial statement purposes.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Fort Chicago's consolidated financial statements requires the use of estimates and assumptions that affect the recorded amounts of certain assets, liabilities, revenues and expenses. In management's view, the most significant accounting estimate relates to the determination as to whether there has been impairment in the carried value of Fort Chicago's pipeline, plant, and other capital assets.

The Partnership evaluates its long-term receivables and pipeline, plant and other capital assets for impairment when events or changes in circumstances indicate, in management's judgement, that the carrying value of such assets may not be recoverable. If management determines that the recoverability of the asset's carrying value has been impaired, the amount of the impairment is determined by estimating the fair value of the asset and recording a loss for the amount that the carrying value exceeds the estimated fair value. Judgements and assumptions are inherent in the determination of the recoverability of such assets and the estimate of their fair value. In management's view, at December 31, 2003, there has not been an impairment of these assets.

NEW ACCOUNTING STANDARDS

Financial Instruments The Canadian Institute of Chartered Accountants ("CICA") has approved certain revisions to Handbook Section 3860, *Financial Instruments – Disclosure and Presentation*. These revisions require certain obligations that must or could be settled with an entity's own equity instruments to be presented as a liability. The effect of this change on Fort Chicago will result in the reclassification of Convertible Debentures from equity to debt. As well, the interest on the Convertible Debentures, which is presently being charged directly against undistributed income, will be required to be charged against earnings. This will not affect Fort Chicago's earnings per unit, which already reflects the interest on the Convertible Debentures. These revisions will become effective for Fort Chicago's 2005 fiscal year, commencing with the first quarter of that year, and are not expected to have any impact on Fort Chicago's credit capacity, credit ratings or compliance with any covenants contained in its credit facilities.

Asset Retirement Obligations The Partnership adopted the new standard of the CICA Handbook Section 3110, *Asset Retirement Obligations* effective January 1, 2004. This standard requires the recognition of legal obligations associated with the retirement of tangible long-lived

assets. The adoption of this standard is not expected to have a material effect on the Partnership's consolidated financial position or results of operations.

Hedging Relationships In late 2001, the CICA issued Accounting Guideline 13, *Hedging Relationships*. This pronouncement, which is effective for Fort Chicago starting January 1, 2004, establishes the criteria that must be met before an entity can apply hedge accounting on certain derivative financial instruments. The application of this standard is not expected to have a material effect on the Partnership's financial position or results of operations.

BUSINESS RISKS

Currently, Fort Chicago's sole assets are its interests in Alliance and Aux Sable, which are subject to the normal risks associated with pipeline and NGL extraction industries, including risks inherent in the operation of a complex pipeline system, risks relating to future demand beyond the terms of the current transportation contracts, dependence on available reserves within the Western Canadian Sedimentary Basin ("WCSB") and the exploitation thereof, government and environmental regulations, price fluctuations of natural gas and NGL, availability of inlet natural gas, risk of default by shippers, competitive pressures, fluctuations in operating costs, fluctuations in the Canadian-United States dollar exchange rate and the present and future financing risks associated with Fort Chicago, Alliance and Aux Sable.

In management's view, the more significant business risks affecting Fort Chicago's profitability and the amount of distributions that can be paid to Unitholders are as follows:

Risks Common To All Businesses

Exchange Rate Fluctuations Between Canada and the United States A significant portion of Fort Chicago's assets and net earnings and cash flows are denominated in U.S. dollars. To reduce this risk, a significant portion of the U.S. assets are funded with U.S. dollar denominated debt, which serves as a natural hedge against movements in the U.S./Canadian dollar exchange rate. To date, Fort Chicago has not entered any foreign currency hedges to protect its net U.S. dollar investments and cash flows. As at December 31, 2003, a Cdn $0.01 decrease in the Canadian dollar relative to the U.S. dollar increases Fort Chicago's distributable cash flow by approximately $0.003 per Class A Unit.

Dependence on Other Owners The affairs of each of Alliance and Aux Sable are governed by partnership and shareholder agreements entered into by the owners of such entities. Pursuant to such agreements, certain decisions regarding these entities require resolutions passed by the affirmative vote of a simple majority, 66-2/3 percent, 75 percent or 80 percent of the owners or all the owners. With respect to Alliance, all decisions requiring owner approval, in effect, require the agreement of Fort Chicago and Enbridge. With respect to Aux Sable, while most decisions can be made with the agreement of both Fort Chicago and Enbridge, some decisions could depend on the views of Aux Sable's minority owner.

Insurance, Guarantees and Warranties Fort Chicago, Alliance and Aux Sable each maintain customary insurance of the types and amounts consistent with applicable prudent business practices. There can be no assurance that such insurance coverage will continue to be available in the future on commercially reasonable terms or that such current or future coverage will be sufficient to recover any losses incurred. The insurance coverage in place is subject to limits and exclusions or limitations on coverage that are considered to be reasonable, given the cost of procuring insurance and current operating conditions.

Environmental Matters The operations of Alliance and Aux Sable are subject to the laws and regulations relating to the protection of the environment. Although the Partnership believes that the operations of Alliance and Aux Sable are in general compliance with applicable

environmental and safety laws and regulations, risks of substantial costs and liabilities, including those from leaks and explosions, are inherent in such operations. There can be no assurance that significant costs and liabilities will not be incurred in future, including costs relating to claims for damages to property and persons resulting from such operations and increased costs of compliance resulting from changes in laws and regulations, including those related to the reduction of carbon dioxide emissions.

Risks Specific To Pipeline Business

Shipper Default Alliance is highly dependent upon the shippers for revenues from contracted transportation capacity on the Alliance Pipeline. The failure of any shippers to perform their contractual obligations under the transportation contracts or the failure to replace such shippers on the same terms could have an adverse effect on the cash flows and financial condition of Alliance and its ability to make distributions. A prolonged economic downturn in the energy industry, among other things, could impact the ability of some or all of the shippers to fulfill their obligations under the transportation contracts. To address this risk, Alliance has put stringent controls in place to monitor the creditworthiness of each shipper. Any shipper not having the required creditworthiness may be required to provide security equal to 12 months of demand charges under the transportation contracts. This risk is currently spread amongst a portfolio of 33 shippers, 77 percent of which are investment grade or equivalent.

Physical Capacity of Pipeline Alliance's transportation contracts obligate shippers to pay demand charges regardless of whether or not they transport natural gas on the Alliance Pipeline. These charges are subject to limited rights in favour of a shipper to receive demand charge credits to the extent Alliance is unable, for any reason related solely to the physical capability of the Alliance Pipeline, to transport volumes of natural gas up to the shipper's contracted capacity, which will decrease the actual revenue received by Alliance. As a result, the profitability of the Alliance Pipeline is dependent upon maintaining the aggregate physical capability at or above the contracted capacity rather than upon the total amount of natural gas transported.

Renewal of Natural Gas Transportation Contracts The revenue generated by Alliance is derived from rates that are based on transportation contracts having 15-year primary terms that expire in December 2015. While incentives exist for shippers to extend these contracts, there can be no assurance that they will do so. The decision to renew will depend on numerous factors, including the level of demand for natural gas in the areas served by pipelines and distribution facilities connected to the Alliance Pipeline, the ability and willingness of shippers to supply such demand and the competitiveness of Alliance's toll. If shippers do not renew their transportation contracts, Alliance may be forced to lower its rates to retain or replace such shippers. As a result, Alliance is exposed to economic risk associated with the recovery of capital beyond the primary term of the transportation contracts. The Partnership cannot predict the impact of future economic conditions or its ability to replace any shippers that choose not to extend their contracts beyond the primary term.

Dependence on WCSB Reserves The Partnership expects that all or substantially all of the natural gas shipped on the Alliance Pipeline for the foreseeable future will be produced from the WCSB. Continued sales of WCSB natural gas in the Midwestern and Northeastern United States will be dependent on a number of factors over which neither the Partnership nor Alliance has any control, including, (i) the level of exploration, drilling, reserves and production of WCSB natural gas and the price of such natural gas, (ii) the accessibility of WCSB natural gas, (iii) the price and quality of natural gas available from alternative sources, and (iv) regulations in effect in Canada and the United States, including those permitting the export of natural gas from Canada to the United States.

Pipeline Competition Alliance faces competition in pipeline transportation to Chicago area delivery points from both existing and proposed projects. There are several proposals to expand existing pipelines serving such areas and markets. Any new or upgraded pipelines could either, (i) allow shippers and competing pipelines to have greater access to natural gas markets in addition to the Chicago area and the markets served by the pipelines to which the Alliance Pipeline is connected or, (ii) offer natural gas transportation services that are more desirable to shippers than those provided by the Alliance Pipeline because of location, facilities or other factors. In addition, these pipelines could charge rates or provide service to locations that result in greater net profit for shippers, with the effect of forcing Alliance, for commercial reasons, to lower its transportation rates, effective on the expiry of the initial 15-year term of the transportation contracts or otherwise, to avoid losing shippers, thereby reducing its cash flow from the transportation contracts.

Pipeline Operating Risks As with any comprehensive pipeline system, operation of the Alliance Pipeline involves many risks, including the breakdown or failure of equipment, information systems or processes, the performance of equipment at levels below those originally intended, failure to keep on hand adequate supplies of spare parts, operator error, labour disputes, disputes with interconnected facilities and carriers, and catastrophic events, many of which are beyond its control. The occurrence or continuance of any of these events could increase the cost of operating the Alliance Pipeline and/or reduce its transportation capacity, thereby impacting the cash flow of Alliance.

The Alliance Pipeline operates through interconnections with numerous other facilities. Typical of the pipeline industry, the regulated terms of service and the prevailing business and operating principles necessarily differ between and amongst those various facilities. Conflicts can arise from these differing requirements in various circumstances. Given the lack of Alliance's control over the requirements adopted by operators of other facilities, no assurance can be given that these differing requirements will not result in operational problems or the potential materiality or duration thereof.

If the Aux Sable extraction and fractionation facility does not provide heat content management services for any reason, the absence of these services may give rise to operational problems for Alliance and the shippers and, in certain circumstances, could result in an interruption or curtailment of transportation service on the Alliance Pipeline until such time as such operational problems are rectified or alternative operational procedures are implemented. If the operations of Aux Sable were suspended or closed, Alliance could be required to provide alternative heat content management arrangements, which could reduce the amount of distributions by Alliance. It is not possible to predict the extent or duration of these operational problems or their precise effect on Alliance.

Pipeline Regulation and Legislation The Alliance Pipeline is subject to Canadian and United States federal regulation by the NEB and FERC, respectively. Either on application by a third party or on their own initiative, the NEB and FERC may require revisions to the tariffs applicable to the Alliance Canada Pipeline and Alliance U.S. Pipeline, respectively, including potentially material changes in applicable transportation rates charged or terms and conditions observed by Alliance. Changes in industry regulations or the regulation of Alliance Pipeline could adversely affect Alliance, including its ability to make distributions.

Abandonment Charges Alliance will be responsible for compliance with all laws and regulations concerning the abandonment of the Alliance Pipeline and related facilities at the end of their economic life. The costs of abandonment will be a function of then current regulatory requirements which cannot be accurately predicted. Alliance may in the future determine that it is necessary to establish and fund a reserve to address anticipated costs of abandonment. The decision to fund such a reserve may reduce the funds available to discharge other obligations of Alliance and could affect the ability of Alliance to make distributions.

Risks Specific To NGL Business

NGL Extraction Margins NGL extraction margins represent the largest potential variability in the cash available for distribution to Unitholders. This margin will depend, in part, on the relationship between the price of natural gas and the price of its NGL, ethane, propane, butane and condensate since the cost of shrinkage make-up gas is the largest cost component of producing NGL. The cost of this natural gas is not tied to the prices received by Aux Sable for its products and thus the profit margin from the production and sale of NGL has the potential to vary significantly as natural gas prices change. Accordingly, a significant portion of the cash available to distribute to the owners of Aux Sable is subject to changes in natural gas pricing.

In order to reduce the price exposure to natural gas and NGL, a hedging policy was adopted by Aux Sable in August 2003, which permits, within established parameters, entering into hedging transactions utilizing derivative instruments. The primary objective of the hedging policy is to protect against adverse natural gas price spikes, principally during the winter months, in respect of Aux Sable's fuel and core natural gas shrinkage requirements of approximately 6,000 mmbtu/d and 100,000 mmbtu/d, respectively. Since implementation of this policy, a number of hedges have been implemented. These hedge transactions are designated as effective cash flow hedges and are settled on a monthly basis (see note 16 contained in the consolidated financial statements of Fort Chicago, which follow this MD&A). Aux Sable, however, remains largely unhedged as the forward markets for ethane, propane, and butane are not well developed in terms of their depth and liquidity and the posted forward prices have generally been considered to be unattractive. Forward natural gas prices tend to be higher than the current cash price, while the opposite generally occurs for NGL prices. As a result, the forward natural gas extraction margin is generally much lower than the current margin, making it extremely difficult to hedge an acceptable forward NGL extraction margin. To date, proxy hedges have not been used as the risks associated with using a proxy hedge are considered to be significant and could offset the potential benefits.

Availability and Composition of Natural Gas The production of NGL by Aux Sable is dependent on the volumes transported on the Alliance Pipeline and by the composition of the natural gas stream at the inlet to the extraction facility. This volume and composition has the potential to vary over time and in turn could adversely impact Aux Sable's production.

NGL Operating Risks Aux Sable processes large volumes of natural gas at high pressure in equipment with fine tolerances. Equipment failures could result in damage to the extraction and fractionation facilities and liability to third parties against which Aux Sable may not be able to fully insure or may elect not to insure because of high premium costs or for other reasons.

Chicago/AECO Natural Gas Price Differential Alliance Canada Marketing holds long-term contracts for 76.2 mmcf/d of transportation capacity on the Alliance Pipeline. The amount of cash available to distribute to its owners or the amount of support payments required from its owners will depend on the relationship between the price of natural gas sold in Chicago, Illinois and the price of natural gas purchased in Alberta, the cost of transporting the natural gas on the Alliance Pipeline and associated administration costs. Since commencement, this margin has not been sufficient to cover the costs associated with the long-term contracts. There can be no assurance as to when or if this margin will improve.

The consolidated financial statements of Fort Chicago Energy Partners L.P. ("Fort Chicago") for the year ended December 31, 2003 have been prepared by the management of Fort Chicago Energy Management Ltd. (the "General Partner") in accordance with accounting principles generally accepted in Canada. If alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Actual results may differ from these estimates and judgements. Management has ensured that these consolidated financial statements are presented fairly in all material respects.

Management maintains internal accounting and administrative controls designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, and that assets are appropriately accounted for and adequately safeguarded.

The Board of Directors of the General Partner has appointed an Audit Committee to meet regularly during the year with management and the external auditors. The Audit Committee reviews with management and the independent external auditors the annual consolidated financial statements of Fort Chicago prior to submitting them to the Board of Directors for final approval.

The Board of Directors of the General Partner is responsible for reviewing and approving Fort Chicago's annual consolidated financial statements and, primarily through its Audit Committee, ensures that management fulfills its responsibilities for financial reporting.

The independent external auditors, PricewaterhouseCoopers LLP, have been appointed by the Unitholders of Fort Chicago to express an opinion as to whether the consolidated financial statements of Fort Chicago for the year ended December 31, 2003 present fairly, in all material respects, the financial position, results of operations, and cash flows in conformity with generally accepted accounting principles in Canada.

Stephen H. White
President and Chief Executive Officer
March 9, 2004

Hume D. Kyle
Vice President, Finance and Chief Financial Officer

AUDITORS' REPORT

To the Board of Directors of Fort Chicago Energy Management Ltd.
as the General Partner of Fort Chicago Energy Partners L.P.

We have audited the Consolidated Statement of Financial Position of Fort Chicago Energy Partners L.P. (the "Partnership") as at December 31, 2003 and 2002 and the Consolidated Statements of Income and Undistributed Income and Cash Flows for the years then ended. These financial statements are the responsibility of the management of the Partnership's General Partner, Fort Chicago Energy Management Ltd. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants

Calgary, Canada
March 9, 2004

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

($THOUSANDS)	DECEMBER 31 2003	2002
Assets		
Cash and short-term investments *(note 4)*	$ 56,503	$ 11
Distribution receivable	–	21,531
Transportation security deposits and revenue adjustments *(note 10)*	11,763	–
Receivables	51,522	191
Inventory	6,298	–
Prepaid expenses	4,212	–
	130,298	21,733
Long-term receivables *(note 5(a))*	142,025	–
Investment in Alliance and Aux Sable *(note 6)*	–	774,685
Pipeline, plant and other capital assets *(note 7)*	2,467,218	–
Other assets *(note 8)*	18,548	5,528
	$ 2,758,089	$ 801,946
Liabilities		
Current liabilities		
Payables	$ 61,677	$ 5,353
Transportation security deposits *(note 10)*	5,645	–
Distribution payable *(note 12(b))*	14,654	12,322
Bank debt	135	58,604
Current portion of long-term debt and capital leases *(note 9)*	71,466	4,739
	153,577	81,018
Non-current liabilities		
Long-term liabilities *(note 11)*	31,981	–
Long-term debt and capital leases *(note 9)*	1,649,226	251,208
Future taxes *(note 14)*	120,349	–
	1,801,556	251,208
	1,955,133	332,226
Partners' Equity		
Convertible debentures *(note 12)*	203,280	–
Partners' capital account *(note 12)*	679,792	443,067
Cumulative translation adjustment	(70,321)	14,497
Cumulative net income	160,500	115,337
Cumulative distributions	(170,295)	(103,181)
	802,956	469,720
Commitments and Contingencies *(note 15)*		
	$ 2,758,089	$ 801,946

See accompanying Notes to the Consolidated Financial Statements

Approved by the Board of Directors of Fort Chicago Energy Management Ltd. as the General partner of Fort Chicago Energy Partners L.P.

By: Stephen H. White
Director

By: Stephen W.C. Mulherin
Director

CONSOLIDATED STATEMENT OF INCOME

($ THOUSANDS, EXCEPT PER UNIT AMOUNTS)	FOR THE YEAR ENDED DECEMBER 31 2003	2002
Revenues		
Transportation *(note 5)*	$ 297,462	$ –
Natural gas liquids	200,158	–
Interest	3,553	120
Foreign exchange gain and other	18,312	100
	519,485	220
Expenses		
Natural gas, natural gas liquids and transportation	183,918	–
Operations and maintenance	43,744	–
Depreciation and amortization	87,594	1,020
Interest and other finance *(note 9)*	97,998	10,245
General and administration	28,328	4,472
	441,582	15,737
Net income (loss) before taxes	77,903	(15,517)
Current taxes	4,203	2,451
Future taxes *(note 14)*	21,471	–
Net income (loss) after taxes and before equity income	52,229	(17,968)
Equity income	13,928	43,702
Net income for the period	66,157	25,734
Cumulative net income at the beginning of the period	115,337	91,819
Interest on convertible debentures *(note 12)*	(11,529)	–
Convertible debentures issue costs	(9,465)	–
Write-off of deferred foreign exchange loss	–	(2,216)
Cumulative net income at the end of the period	$ 160,500	$ 115,337
Net income per Class A Unit		
Basic and diluted	$ 0.64	$ 0.35

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

($ THOUSANDS)	FOR THE YEAR ENDED DECEMBER 31 2003	2002
Operating		
Net income for the period	$ 66,157	$ 25,734
Less: Equity income	(13,928)	(43,702)
Non-cash transportation revenue	(43,655)	–
Unrealized foreign exchange gain	(7,886)	(602)
Add: Depreciation and amortization	87,594	1,020
Amortization of deferred finance charges	1,183	–
Future income taxes	21,471	–
Changes in non-cash working capital	(33,292)	3,695
Distributions received	21,786	56,369
	99,430	42,514
Financing		
Convertible debentures	212,500	–
Class A Units	222,440	1,920
Equity and convertible debentures issue costs	(21,425)	(358)
Short-term debt	(66,171)	202,004
Debt issue costs	(5,738)	(2,116)
Long-term debt issued	548,364	–
Repayment of long-term debt and capital leases	(839,586)	(4,717)
Cash distributions paid	(47,760)	(41,910)
Interest on convertible debentures	(11,529)	–
	(8,905)	154,823
Investing		
Investment in Alliance and Aux Sable *(note 6)*	(202,624)	(210,996)
Sales tax refund	6,763	–
Additions to pipeline, plant and other capital assets	(17,196)	(7)
	(213,057)	(211,003)
Increase (decrease) in cash and short-term investments	(122,532)	(13,666)
Cash and short-term investments at the beginning of the period	11	13,677
Alliance and Aux Sable cash and short-term investments acquired *(note 6)*	186,820	–
Effect of foreign exchange rate changes on cash and short-term investments	(7,796)	–
Cash and short-term investments at the end of the period	$ 56,503	$ 11
Cash and short-term investments	$ 13,344	$ 11
Cash and short-term investments in trust	43,159	–
	$ 56,503	$ 11
Supplemental disclosure of cash flow information		
Interest paid	$ 98,307	$ 10,190
Taxes paid	$ 3,318	$ 2,263

See accompanying Notes to the Consolidated Financial Statements

(Cdn $ thousands, except where stated)

NOTE 1 DISTRIBUTABLE CASH OF THE PARTNERSHIP[1]

	FOR THE THREE MONTHS ENDED DECEMBER 31		FOR THE YEAR ENDED DECEMBER 31	
	2003	2002	2003	2002
	(Unaudited)	*(Unaudited)*		
Cash inflows				
Distributions received prior to withholding for capital expenditures	$ 27,688	$ 21,158	$ 113,836	$ 68,985
Interest income	247	5	429	120
	27,935	21,163	114,265	69,105
Cash outflows				
General and administration	(2,277)	(2,552)	(4,881)	(4,472)
Realized foreign exchange gain (loss)	7,284	(582)	9,840	(502)
Interest and other finance	(2,348)	(3,278)	(13,205)	(10,245)
Interest on convertible debentures	(3,619)	–	(11,529)	–
Taxes	(1,713)	(703)	(4,203)	(2,451)
Extraction business support payments	–	–	(10,394)	–
Marketing support payments	(1,436)	–	(2,384)	(1,829)
Senior notes – principal repayments	(980)	(1,169)	(4,235)	(4,717)
Distributable cash for the period[2]	$ 22,846	$ 12,879	$ 73,274	$ 44,889
Distributions payable/paid	$ 20,228	$ 13,387	$ 67,111	$ 48,748
Distributions payable/paid per Class A Unit	$ 0.20	$ 0.18	$ 0.75	$ 0.66

(1) Distributable cash is not a standard measure under generally accepted accounting principles in Canada and may not be comparable to similar measures presented by other entities. The calculation of distributable cash represents the cash expected to be available to the Partnership for distribution to holders of Class A Units and therefore does not proportionately consolidate the cash inflows and outflows of Alliance and Aux Sable. Distributable cash is an important measure used by the investment community to assess the source and sustainability of the Partnership's cash distributions. During the year, the Partnership made capital contributions to its NGL business in the amount of $27.4 million, of which $10.4 million was in respect of cash operating deficiencies.

(2) See note 19 for reconciliation of distributable cash to cash flows from operations.

NOTE 2 BUSINESS AND STRUCTURE OF THE PARTNERSHIP

Fort Chicago Energy Partners L.P. (the "Partnership") is a limited partnership, which was originally created under the laws of the Province of Alberta on October 9, 1997 to hold a 26 percent interest in the Alliance Pipeline and the Aux Sable natural gas liquids ("NGL") extraction and fractionation facility, each of which were under development at the time. In December 2000, the pipeline and NGL facility commenced operations.

Fort Chicago Energy Management Ltd. (the "General Partner") is responsible for overseeing the management of the Partnership, including the determination of the amount of distributions to the holders of limited partnership units of the Partnership, and is reimbursed for its costs and expenses. The principal activities of the Partnership include investing in and managing, directly or indirectly, businesses that generate, transport, store, market, process or produce energy with a view to providing its limited partners with stable and growing cash distributions in both the short and long terms.

Currently, the Partnership's two principal investments are in the pipeline and NGL businesses. The pipeline business is comprised of Alliance Pipeline Limited Partnership ("Alliance Canada"), Alliance Pipeline L.P. ("Alliance U.S." and, together with Alliance Canada, and each of their managing General Partners, collectively referred to as "Alliance," "Alliance Pipeline" or the "Pipeline Business"). The NGL business is comprised of Aux Sable Canada L.P. ("Aux Sable Canada"), Aux Sable Liquid Products L.P. ("Aux Sable U.S.") and Alliance Canada Marketing L.P. ("Alliance Canada Marketing" and, together with Aux Sable Canada, Aux Sable U.S., and each of their managing General Partners, collectively referred to as "Aux Sable" or the "NGL Business").

Following several acquisitions in 2002 and 2003, Fort Chicago increased its ownership in Alliance and Aux Sable to 50 percent and 42.7 percent, respectively. Alliance owns and manages a mainline gas pipeline with various connecting lateral pipelines extending from Northeastern British Columbia to points near Chicago, Illinois. Aux Sable owns and manages an NGL extraction and fractionation facility near the terminus of the Alliance Pipeline as well as storage, downstream pipelines and loading facilities, and long-term natural gas transportation capacity on the Alliance Pipeline.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE PARTNERSHIP

Basis of Presentation These consolidated financial statements have been prepared by the General Partner in accordance with accounting principles generally accepted in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

These consolidated financial statements include the accounts of the Partnership and its subsidiary partnerships and corporations (collectively "Fort Chicago"), as well as the accounts of Alliance and Aux Sable, which, as a consequence of the purchase described in note 6, became jointly controlled businesses and have therefore been proportionately consolidated effective April 1, 2003. For the three-month period ended March 31, 2003, and the year ended December 31, 2002, Alliance and Aux Sable were accounted for using the equity method.

The Partnership's Pipeline Business is regulated by the National Energy Board ("NEB") in Canada and by the Federal Energy Regulatory Commission ("FERC") in the United States. In order to achieve a proper matching of revenues and expenses, recognition of certain revenues and expenses may differ from that otherwise expected under generally accepted accounting principles applicable to non-regulated businesses.

In management's opinion, these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant policies summarized below:

Cash and Short-term Investments Cash and short-term investments comprise cash and highly liquid investments with original maturities of 90 days or less and carrying values which approximate market value. A portion of these short-term investments are held in trust accounts, the majority of which is permitted to be used for operating and working capital purposes.

Inventory Inventory consists of NGL inventory stored at Aux Sable's plant and at third-party storage locations and is valued at the lower of average cost or market as determined by market prices at December 31, 2003. Inventory of plant spare parts is recorded at the lower of cost and replacement cost.

Deferred Charges All costs directly associated with arranging financing are capitalized as deferred financing charges and amortized over the life of the related debt using either the straight-line or the effective interest rate method. Acquisition costs are deferred and amortized over the life of the acquired assets.

Pipeline, Plant and Other Capital Assets Pipeline, plant and other capital assets include the costs associated with the design and construction of the Alliance Pipeline and the Aux Sable extraction and fractionation facility, including related support facilities associated with each business, and various other assets.

Pipeline in service is recorded at cost and is being depreciated on a four percent per annum straight-line basis commencing from the in-service date. Plant assets, consisting of the extraction and fractionation plant, field offices and ancillary equipment, are recorded at cost and are being depreciated on a straight-line basis over the life of the asset with rates ranging from three percent to 33 percent per annum. Assets under capital lease are amortized on a straight-line basis over the life of the asset (being 30 years). Administrative assets, which include head office furniture and equipment, information systems and leasehold improvements are recorded at cost and depreciated on a straight-line basis over the life of the asset with rates ranging from 10 percent to 33 percent per annum. Capital spares are valued at the lower of average cost or net realizable value and are not depreciated.

The allowance for funds used during construction ("AFUDC") represents the cost of debt and equity financing incurred during construction of the Pipeline that is expected to be recovered in future rates. Accordingly, these costs were capitalized.

Impairment of Pipeline, Plant and Other Long-term Assets The Partnership evaluates the pipeline, plant and other long-term assets for impairment when events or changes in circumstances indicate, in management's judgement, that the carrying value of such assets may not be recoverable. When such a determination is made, management's estimate of the undiscounted future cash flows attributable to the assets is compared to the carrying value of the assets to determine whether an impairment has occurred. If an impairment of the carrying value has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a loss for the amount that the carrying value exceeds the estimated fair value.

Judgements and assumptions are inherent in management's estimate of the undiscounted future cash flows used to determine recoverability of an asset and the estimate of an asset's fair value used to calculate the amount of any impairment. As at December 31, 2003, management is of the view that there has not been an impairment of Fort Chicago's pipeline, plant and other long-term assets.

Revenue Recognition Pipeline transportation contracts are designed to provide toll revenues sufficient to recover the costs of providing transportation service to shippers, including operating and maintenance and administrative costs and allowances for depreciation, deemed taxes, costs of indebtedness, and an allowed return on equity of approximately 11 percent. The portion of such costs expected to be recovered each year under the existing transportation contracts is equal to the percentage of the firm transportation capacity held under such contracts. For years ended 2003 and 2002, 100 percent of the firm capacity was contracted under firm-service transportation service agreements ending in 2015.

The period in which pipeline transportation costs are recovered from toll receipts may differ from the period that these costs are expensed in these consolidated financial statements. Transportation revenues include amounts related to accrued expenses that are expected to be recovered from shippers in future tolls. Similarly, no transportation revenue is recognized in a given period for tolls received that do not relate to current period expenses accrued in these financial statements. Differences between the recorded transportation revenue and actual toll receipts give rise to receivable or payable balances.

If rate regulated accounting were not used, the long-term receivable and long-term liability and the transportation revenue adjustments in notes 11 and 5, respectively, would not be recognized in these consolidated financial statements.

Natural gas and NGL revenue is recognized at the time of delivery. Revenue on exchanged products is not recognized until the date the exchanged product is delivered. Prior to this date, exchanged products are recorded as inventory.

Shipper Imbalances Slight physical imbalances between the volume of gas received from shippers and the volume of gas delivered to downstream interconnects may be experienced on the Pipeline, which affects the volume of pipeline linepack, the cost of which is included in pipeline, plant and other capital assets. Shippers are obligated to rectify these imbalances in short order by arranging for the necessary physical delivery of natural gas at the pipeline receipt points or at the downstream interconnects. Accordingly, no receivables or payables balances related to shipper imbalances are recognized in these consolidated financial statements.

Foreign Currency Translation The Partnership's functional currency is the Canadian dollar. Foreign denominated monetary assets and liabilities of domestic partnerships and corporations are translated at the exchange rate prevailing at the year-end, non-monetary assets and liabilities are translated at exchange rates in effect on the date the assets were acquired or liabilities assumed, and revenues and expenses at average rates of exchange during the year.

The accounts of the Partnership's foreign subsidiaries are translated using the current rate method whereby all assets and liabilities are translated into Canadian dollars using the exchange rate in effect at the balance sheet date, and all revenues and expenses are translated into Canadian dollars at average exchange rates during the year. The resulting net cumulative translation gain or loss is not included in the consolidated statement of income but is deferred and reported as a separate component of Partners' equity.

Derivative Financial Instruments In order to mitigate exposure to commodity price fluctuations, Aux Sable adopted a hedging policy which permits, within established parameters, entering into hedging transactions utilizing derivative instruments. These hedge transactions are designated as effective cash flow hedges and are settled on a monthly basis. The unrealized change in the fair value of these instruments is disclosed in note 16.

Unit Appreciation Rights Plan Unit appreciation rights ("UARs") issued by the Partnership are recorded at fair value by measuring, on an ongoing basis, the excess of the market price over the exercise price. The Partnership's obligation, which results from the variation in the market price of its Class A Units, is recognized in income on a straight-line basis over the vesting period and a corresponding amount is accrued as a current liability. When the UARs have vested and until either the UARs are exercised or they expire, the change in the obligation attributable to variations in the unit price is recognized by increasing or decreasing the compensation expense for the period in which the variations occur.

Income Taxes As the Partnership is not a taxable entity, all income for tax purposes is allocated to Unitholders with the result that no income taxes are reflected in these consolidated financial statements, in respect of the Partnership. Certain U.S. subsidiary partnerships, which are deemed corporations for U.S. tax purposes, and a Canadian subsidiary corporation, are taxable and applicable income and capital taxes have been reflected in these consolidated financial statements.

The taxes payable method of accounting for income taxes is used for the Partnership's Canadian rate regulated pipeline operations. Under the taxes payable method, it is not necessary to provide for future income taxes as these taxes are recoverable from future tolls. The liability method of accounting for income taxes is used for the remainder of the Partnership's operations. Under this method, current income taxes are recognized for the estimated income taxes payable in the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting asset and liability bases using tax rates and laws that are expected to apply when the liabilities are settled and the assets realized.

NOTE 4 CASH AND SHORT-TERM INVESTMENTS

	2003	2002
Cash in trust accounts		
Operations and working capital	$ 36,717	$ –
Capital funding, debt repayment and/or return of equity	6,350	–
Debt service and debt service reserve	423	–
	43,490	–
Cash in non-trust accounts	13,013	11
	$ 56,503	$ 11

Under the terms of Alliance's finance agreements, all funds received from shippers in settlement of transportation tolls, as well as interest earned on trust account balances, are segregated in trust accounts and first applied to meet debt service and operating requirements before distributions, if any, are made to its owners. At the completion of each fiscal quarter, a determination is made as to the amount of cash and cash equivalents necessary to satisfy these requirements. Excess funds, if any, are transferred to non-trust accounts, which, following lender confirmation, can be distributed to Alliance's owners.

In addition, the debt service accounts must be sufficiently funded to meet principal and interest payments for a period of six months beyond the current month-end. At December 31, 2003, this requirement was satisfied by letters of credit as discussed in note 9. At December 31, 2002, this requirement was satisfied by funds on deposit in debt service reserve trust accounts and by letters of credit provided directly by Alliance's limited partners.

Pursuant to a security trust agreement, Alliance was also required to set aside in a separate trust account an amount estimated to be sufficient to pay all the remaining costs associated with constructing and commissioning the pipeline. Any remaining balance can be used to repay long-term debt and/or be returned to Alliance's owners.

NOTE 5 TRANSPORTATION REVENUE

Transportation revenue is adjusted to reflect differences between the period in which costs are recovered from toll receipts and the period in which these costs are expensed in these consolidated financial statements as follows:

	2003	2002
Tolls invoiced	$ 253,807	$ –
Increase (decrease) related to:		
Accounting depreciation rate	28,297	–
Property tax accruals	3,617	–
Differences from current period cost of service estimates	(2,733)	–
Prior year's over recovery	14,474	–
	43,655	–
Transportation revenue	$ 297,462	$ –

a) Accounting Depreciation Rate The long-term receivable at December 31, 2003 includes a regulatory asset of $142.0 million related to the cumulative difference between depreciation expense charged for accounting purposes and depreciation expense included in the transportation tolls. This difference is expected to be recovered over a number of years when depreciation rates, as prescribed in the transportation agreements, are expected to exceed the depreciation rates used for accounting purposes.

b) Cost of Service Toll Estimate Tolls reflect the projected cost of providing transportation service to shippers in accordance with the transportation contracts and applicable NEB and FERC regulations. The tolls are submitted to shippers and filed with the NEB and the FERC, as applicable. Tolls therefore include amounts relating to differences between the estimated and actual costs of providing transportation service in a prior year.

At December 31, 2003, current assets included a transportation revenue adjustment of $6.1 million. Long-term liabilities include an adjustment of $2.6 million (note 11). These adjustments relate to differences between expenses accrued for accounting purposes and expenses included in the transportation tolls. These differences will be collected from or returned to shippers through an adjustment to rates in future years.

NOTE 6 INVESTMENT IN ALLIANCE AND AUX SABLE

On March 24, 2003, Fort Chicago purchased an approximate 1.1 percent interest in Alliance for cash consideration of approximately $18.2 million.

On April 1, 2003, Fort Chicago completed the purchase of an approximate 11.8 percent interest in Alliance Canada and Aux Sable and an approximate 10.7 percent interest in Alliance U.S. As a result of this purchase, Fort Chicago's ownership interest in Alliance Canada and Alliance U.S. was increased to 50 percent and 48.9 percent, respectively, and Fort Chicago's ownership interest in Aux Sable was increased to 42.7 percent. The aggregate purchase price paid by Fort Chicago was approximately $173.9 million. This purchase was accounted for by using the purchase method, as follows:

	APRIL 1, 2003
Purchase price payable in cash	$ 173,868
Equity investment previously recorded	754,703
Distribution receivable	21,986
Liabilities assumed	
Long-term liabilities	37,976
Long-term debt	1,781,382
Capital leases	9,287
Future taxes	109,373
	$ 2,888,575

Allocation of purchase price	
Cash and short-term investments acquired[1]	$ 185,608
Non-cash working capital	(105,969)
Long-term receivables	127,148
Pipeline, plant, and other capital assets	2,681,788
	$ 2,888,575

[1] Together with $1.2 million of cash and short-term investments acquired in connection with other purchases, total cash and short-term investments acquired in 2003 was $186.8 million.

On October 30, 2003, Fort Chicago also purchased an additional approximate 1.1 percent interest in Alliance U.S. for cash consideration of approximately $7.2 million, increasing its ownership interest to 50 percent.

The March 24, 2003 and April 1, 2003 purchases were financed initially using the Second Bridge Credit Facility and the remaining amount available under the First Bridge Credit Facility (see note 9). The First Bridge Credit Facility and the Second Bridge Credit Facility were repaid using the proceeds from the public offerings described in note 12.

NOTE 7 PIPELINE, PLANT AND OTHER CAPITAL ASSETS

	COST	ACCUMULATED DEPRECIATION	2003 NET BOOK VALUE	2002 NET BOOK VALUE
Pipeline in service	$ 2,593,247	$ 304,914	$ 2,288,333	$ –
Plant assets	187,774	27,729	160,045	–
Administrative assets	19,824	15,914	3,910	–
Capital spares	12,184	–	12,184	–
Land	2,746	–	2,746	–
	$ 2,815,775	$ 348,557	$ 2,467,218	$ –

NOTE 8 OTHER ASSETS

	2003	2002
Financing expenses – long-term debt[1]	$ 15,369	$ 1,043
Financing expenses – short-term debt[2]	–	1,739
Construction period unit appreciation rights[3]	2,140	2,446
Other	1,039	300
	$ 18,548	$ 5,528

(1) *Amortized over the life of the related debt, being generally 10 years*

(2) *Amortized over the life of the related debt, being one year*

(3) *Amortized over 10 years commencing January 1, 2001*

NOTE 9 LONG-TERM DEBT AND CAPITAL LEASES

	2003	2002
Fort Chicago		
Bank credit facility	$ –	$ 143,400
7.71% Senior Notes due 2011 (2003 – US $68,250; 2002 – US $71,250)	88,208	112,547
Less: current portion	(3,878)	(4,739)
	84,330	251,208
Alliance Canada[1]		
Bank credit facility	17,600	–
Senior Notes:		
7.230% due 2015	137,927	–
7.181% due 2023	204,577	–
7.217% due 2025	163,043	–
6.765% due 2025	194,672	–
5.546% due 2023	142,875	–
Fair value adjustment	10,015	–
	870,709	–
Less: current portion	(39,962)	–
	830,747	–
Alliance U.S.[1]		
Bank credit facility (US $16,400)	21,195	–
Senior Notes:		
7.770% due 2015 (US $139,980)	180,910	–
6.996% due 2019 (US $153,451)	198,320	–
7.877% due 2025 (US $100,000)	129,240	–
4.591% due 2025 (US $146,238)	188,998	–
Obligations under capital leases (US $1,328)	1,716	–
Fair value adjustment (US $20,132)	29,714	–
	750,093	–
Less: current portion	(27,435)	–
	722,658	–
Aux Sable[1]		
Bank credit facility (US $3,843)	4,966	–
Capital leases (US $5,197)	6,716	–
Less: current portion	(191)	–
	11,491	–
	$ 1,649,226	$ 251,208

n the above table reflect Fort Chicago's proportionate share of the corresponding amounts contained in the financial ... nd Aux Sable and the fair value adjustments recorded by Fort Chicago in connection with ... ases of additional

Fort Chicago Debt

Bank Credit Facilities On October 28, 2002 and March 28, 2003, the Partnership entered into a $250 million non-revolving committed acquisition bridge credit facility (the "First Bridge Credit Facility") and a $160 million non-revolving committed acquisition bridge credit facility (the "Second Bridge Credit Facility"), respectively, with three Canadian Chartered Banks. These facilities were utilized by Fort Chicago to purchase additional interests in Alliance and Aux Sable and were subsequently repaid from proceeds of the public offerings described in note 12.

The Partnership maintains a $60 million extendible revolving credit facility (the "Revolving Credit Facility"), which matures on June 30, 2004, but may be extended from time to time for additional 364-day periods with the approval of the lenders. Management anticipates that this facility will be extended.

The interest applicable to these facilities is based on bankers' acceptance rates or London Interbank Offered Rates, plus applicable margins. Standby and letter of credit fees vary from 0.6 percent to 1.2 percent per annum of the undrawn amount under the credit facilities or the face amount of letters of credit. These facilities contain covenants customary to bank credit facilities that include, among other things, (i) the maintenance of consolidated tangible net worth of at least $375 million, subject to downward adjustment for certain events and capitalization, and (ii) the maintenance of debt to total capitalization of no greater than 50 percent, excluding the debt of Alliance and Aux Sable.

As at December 31, 2003, the Partnership had no borrowing under its bank credit facilities (2002 – $110.0 million and US $58.5 million). In January, 2003, the Partnership repaid approximately $143.4 million of the First Bridge Credit Facility utilizing proceeds from the convertible debenture offering described in note 12(c) and as a consequence, $143.4 million of the credit facility was classified as a non-current liability at December 31, 2002.

Senior Notes On August 15, 2001, two subsidiary entities of the Partnership issued senior unsecured notes to institutional investors in the United States.

Two series of Senior Notes, Series A and Series B, of equal amount, were issued in the aggregate principal amount of US $75.0 million bearing interest at the rate of 7.71 percent per annum, with interest and principal due quarterly. The total principal for both series is repaid US $0.75 million per quarter with a final payment of US $45.75 million due on the maturity date of July 31, 2011.

These Senior Notes are direct unsecured obligations of the relevant subsidiary entity and rank *pari passu* with all other unsecured and unsubordinated indebtedness of that issuer. Each subsidiary entity has provided covenants customary for note issuances that include, among other things, the following: (i) each issuer will not, at any time, permit its consolidated indebtedness to be more than 50 percent of its consolidated capitalization, in each case excluding the indebtedness and capitalization of Alliance, (ii) each issuer will not permit the ratio of operating cash flow to interest expense, calculated excluding the cash flow and interest expense of Alliance, to be less than 3.0 to 1.0 at the end of each fiscal quarter of such issuer, and (iii) each issuer will not encumber any of its assets except for permitted encumbrances and in the event it sells any portion of its interest in Alliance prior to maturity of the senior notes, it will redeem such notes at that time to the extent of the proceeds of such sale plus a make-whole amount and any unpaid and accrued interest thereon.

Each subsidiary entity may redeem all or any of its notes, subject to a minimum of 10 percent of the aggregate principal amount outstanding, at any time prior to maturity at par plus a make-whole payment and any accrued and unpaid interest on the redeemed amount.

Alliance and Aux Sable Debt

Unless otherwise stated, the amounts referred to in this section represent Fort Chicago's proportionate share of the amounts contained in the financial statements of Alliance and Aux Sable.

Alliance Security and Covenants Under the terms of the Alliance Canada and Alliance U.S. Common Agreement, certain assets and material contracts are pledged as collateral to Alliance's lenders including transportation agreements, permits issued by the NEB and by the FERC, trust accounts, real property and tangible personal property. Alliance is also required to meet specified financial conditions and adhere to specified covenants on an ongoing basis.

lliance Bank Credit Facilities In May 2003, new Canadian and U.S. credit facilities (the "Canadian Credit Facility" and the "U.S. Credit Facility") were established consisting of a $187.5 million committed extendible revolving credit facility and a US $62.5 million revolving credit facility, respectively, of which up to $50 million and US $35 million, respectively, are available by way of letters of credit to support debt service reserve requirements. In addition, a $57.5 million non-revolving Canadian term facility was established. These new credit facilities were established to replace the initial, incremental and revolving credit facilities, which were repaid in full and cancelled on May 30, 2003. Concurrent with the initial cash draw under the new credit facilities, $50 million and US $35 million, respectively, of letters of credit were issued to support debt service reserve requirements.

In June 2003, the net proceeds from the issuance of 5.546 percent Senior Notes, together with available cash balances, were used to repay and cancel $57.5 million outstanding under the non-revolving Canadian term facility and to repay $96.3 million outstanding under the Canadian Credit Facility. Concurrent with the repayment, the Canadian Credit Facility was permanently reduced to $95.0 million.

The Canadian Credit Facility contains an initial 364-day revolving term, which can be extended from time to time with lender consent for additional 364-day periods and which if not extended, would result in any outstanding borrowing being converted into a subsequent two-year non-revolving loan. Interest is based on bankers' acceptance rates, plus applicable margins. At December 31, 2003, the average interest rate applicable to the outstanding borrowings was 2.8 percent. At December 31, 2003, $50 million of letters of credit and $17.6 million of borrowings were outstanding, leaving $27.4 million available under this facility.

The U.S. Credit Facility is a three-year term facility, which expires May 30, 2006. Interest is based on floating interest rates determined by the U.S. dollar London Interbank Offered Rate, plus applicable margins. At December 31, 2003, the average interest rate applicable to the outstanding borrowings was 1.94 percent. At December 31, 2003, US $35 million of letters of credit and US $16.4 million of borrowings were outstanding, leaving US $11.1 million available under this facility.

tes On January 16, 2003, the Partnership raised $200 million through Alliance Canada's issuance of 6.765 percent Senior Notes under a base shelf prospectus which expired on March 31, 2003.

On June 12, 2003, a short form base shelf prospectus was filed with Canadian securities commissions providing for the public issuance of a maximum of $500 million, by Alliance Canada, of Senior Notes, which can be issued during the succeeding 25-month period. On June 26, 2003, the Partnership raised $150 million through Alliance Canada's issuance of 5.546 percent Senior Notes under this base shelf prospectus.

On May 23, 2003, the Partnership raised US $150 million through Alliance U.S.'s issuance of 4.591 percent Senior Notes due 2025.

The Senior Notes are collateralized on the same basis as the Canadian Credit Facility, the U.S Credit Facility and other outstanding issues of Senior Notes and rank equally in right of payment. The Canadian dollar denominated Senior Notes may be redeemed in whole, but not in part, at any time at a price equal to the greater of: (i) the applicable Government of Canada yield price plus a premium; and (ii) par, together with accrued interest. The U.S. denominated Senior Notes may be redeemed in whole, but not in part, at a price equal to the outstanding principal amount of such Senior Notes plus accrued but unpaid interest, plus a make-whole premium. Alliance may be required to redeem the Senior Notes in whole or in part, from proceeds received under insurance claims or other claims for damages, if the proceeds are not applied to repair or rebuild the Alliance Pipeline.

Interest and principal repayments on the Senior Notes are payable semi-annually each June 30 and December 31, with the exception of the 7.877 percent Senior Notes for which principal repayments do not commence until June 2019. Principal repayments are closely tied to the recovery rates for depreciation and U.S. future income taxes contained in the transportation agreements.

s On August 29, 2003, a U.S. committed revolving facility was established in the amount of US $19.2 million, which matures on December 31, 2005. Availability is based on eligible receivables, inventory and cash deposits. This new credit facility replaced a prior US $25.6 million credit facility, except for an approximate US $2.7 million outstanding under a construction loan, which was repaid and retired on September 27, 2003.

The Aux Sable credit facility contains events of default and covenants which are customary in loan agreements of this type, including a financial covenant which requires Aux Sable to establish and maintain a debt service reserve account balance of US $0.3 million at all times. In addition, the NGL facilities have been pledged as collateral. As at December 31, 2003, US $7.7 million was drawn on this facility, comprising US $3.85 million in cash and US $3.85 million in letters of credit.

Obligations Under Capital Leases

The obligations under capital leases bear interest at varying rates up to 12 percent and mature between 2015 and 2020.

Scheduled Principal Repayments

Scheduled principal repayments of long-term debt, excluding the fair value adjustment of $39,729, which is being amortized over the life of the related debt, are as follows:

	FOR THE YEARS ENDED DECEMBE[illegible]
2004	$ 71,222
2005	80,576
2006	103,569
2007	65,748
2008	68,707
Thereafter	1,282,709
Obligations under capital leases *(see note 15)*	8,432
	$ 1,680,963

NOTE 10 TRANSPORTATION SECURITY DEPOSITS

In accordance with Alliance's transportation agreements, shippers who fail to maintain specified credit ratings or a suitable financial position are required to provide acceptable security equal to one year of shipping charges. During the year ended December 31, 2003, a shipper that had previously satisfied its security requirement with a cash deposit replaced the deposit with a letter of credit. Included in transportation security deposits and revenue adjustments at December 31, 2003 is $5.6 million in cash security deposits. Letters of credit provided to meet the security requirement at December 31, 2003 totalled $71.1 million.

NOTE 11 LONG-TERM LIABILITIES

	2003	[illegible]
Transportation contracts	$ 28,898	$ –
Transportation revenue adjustment accrued	6,309	–
Other	3,564	–
Less: current portion	(6,790)	–
Total long-term liabilities	$ 31,981	$ –

The obligation under the transportation contracts relates to proceeds received by the Partnership in 2002 and 2003 in connection with its acquisitions of additional interests in Alliance Canada Marketing and its assumption of the associated liability arising from the firm transportation contracts. This liability is being amortized on a straight-line basis over the remaining term of the transportation contracts.

Alliance Canada estimates the tolls necessary to recover the projected cost of providing transportation service to its shippers in accordance with its transportation contracts and NEB regulations. The tolls are submitted to shippers and filed with the NEB. Tolls include amounts relating to differences between estimated and actual costs of providing transportation service in a prior year. The Partnership's toll for the year 2004, filed prior to the end of the 2003 toll period, included an estimate of $3.7 million for the difference arising in the 2003 and 2002 toll periods. The balance of $2.6 million of the actual 2003 difference will be adjusted in the Partnership's 2005 toll.

Other long-term liabilities include $2.0 million for the portion of accrued property taxes that are not required to be remitted within one year.

NOTE 12 PARTNERS' EQUITY

(a) Partners' Capital Account

(i) Authorized

In May 2003, the Partnership's Unitholders approved the creation of Class B limited partnership units ("Class B Units"). The Partnership is now authorized to issue an unlimited number of Class A Units and an unlimited number of Class B Units, issuable in series.

(ii) Issued

	CLASS A UNITS	
	NUMBER	VALUE
December 31, 2001	73,275,759	$ 433,786
Warrants – Cash	288,750	1,920
– Initial value	–	380
Units issued under DRIP[1] *(Note 12(f))*	808,164	6,274
Issue costs	–	(358)
December 31, 2002	74,372,673	442,002
Units issued under DRIP[1] *(Note 12(f))*	1,430,180	12,514
Units issued pursuant to June 12, 2003 public offering, net of $7,347 of issue costs	15,250,000	127,616
Convertible Debentures converted into Units *(Note 12(c))*	1,024,437	9,220
Units issued pursuant to October 15, 2003 public offering, net of $4,613 of issue costs	9,065,000	82,864
December 31, 2003	101,142,290	674,216
Units to be issued under DRIP[1] *(Note 12(f))*	573,558	5,576
	101,715,848	$ 679,792

[1] Includes Class A Units issued to satisfy a portion of the Partnership's distributions as well as Class A Units issued under the optional unit purchase component of the DRIP.

The weighted average number of Class A Units outstanding for the year ended December 31, 2003 were 85,531,788 (2002 – 73,730,376) and 101,763,422 (2002 – 73,730,376) for determining the earnings per Class A Unit on a basic and diluted basis, respectively.

(b) Distributions

The Partnership has declared and paid the following distributions to holders of Class A Units:

RECORD DATE	PAYMENT DATE	DISTRIBUTION PER CLASS A UNIT	DISTRIBUTION PAID/PAYABLE IN CASH	DISTRIBUTION PAID IN UNITS	TOTAL DISTRIBUTION PAID/PAYABLE
2003					
March 31, 2003	April 30, 2003	$ 0.18	$ 12,162	$ 1,250	$ 13,412
June 30, 2003	July 31, 2003	0.18	11,284	4,900	16,184
September 30, 2003	October 31, 2003	0.19	11,992	5,295	17,287
December 31, 2003	January 30, 2004	0.20	14,654	5,574	20,228
		$ 0.75	$ 50,092	$ 17,019	$ 67,111
2002					
March 28, 2002	April 30, 2002	$ 0.16	$ 11,770	$ –	$ 11,770
June 28, 2002	July 31, 2002	0.16	9,342	2,429	11,771
September 30, 2002	October 31, 2002	0.16	7,975	3,845	11,820
December 31, 2002	January 31, 2003	0.18	12,322	1,065	13,387
		$ 0.66	$ 41,409	$ 7,339	$ 48,748

(c) Convertible Debentures

In January 2003, the Partnership issued $150 million of 7.5 percent Convertible Unsecured Subordinated Debentures, Series A, due June 30, 2008. The Series A convertible debentures are convertible, at the holder's option, into Class A Units at a conversion price of $9.00 per Class A Unit. During the year ended December 31, 2003, $9.2 million of Series A convertible debentures were converted into Class A Units.

In October, 2003, the Partnership issued $62.5 million of 6.75 percent Convertible Unsecured Subordinated Debentures, Series B, due December 31, 2010. The Series B convertible debentures are convertible, at the holder's option, into Class A Units at a conversion price of $10.70 per Class A Unit. No Series B convertible debentures have been converted into Class A Units as at December 31, 2003.

These convertible debentures (the "Convertible Debentures") rank equally with all other unsecured and subordinated indebtedness of the Partnership and are classified as Partners' equity for accounting purposes. The related interest costs are charged against undistributed income. The Convertible Debentures are currently not qualified investments for tax exempt investors under the *Income Tax Act* (Canada), including, without limiting the foregoing, trusts governed by registered retirement savings plans. Consequently, purchases of these debentures by tax exempt investors are restricted.

(d) Ownership Restrictions Applicable to Class A Units

The Partnership was organized in accordance with the terms and conditions of a limited partnership agreement dated as of October 9, 1997 as amended and restated on November 21, 1997, March 7, 2001 and May 13, 2003 (the "Partnership Agreement"). The Partnership Agreement provides that no Class A Units or Class B Units may be held by a person who is a "non-resident" of Canada, a person in which an interest would be a "tax shelter investment" or a partnership which is not a "Canadian partnership," each for purposes of the *Income Tax Act* (Canada).

(e) Unitholders Rights Plan

The Partnership has a unitholders rights plan (the "Rights Plan"). Under the Rights Plan, one right will be issued with each Class A Unit issued. The rights remain attached to the Class A Units and are not exercisable or separable unless one or more certain specified events occur. If a person or group acting in concert acquires 20 percent or more of the outstanding Class A Units (subject to certain exceptions), the rights will entitle the holders thereof (other than the acquiring person or group) to purchase Class A Units of the Partnership at a 50 percent discount from the then current market price. The rights provided under the Rights Plan are not triggered by any person making a "Permitted

Bid," as defined in the Rights Plan. The Partnership can amend the Rights Plan without the approval of holders of rights issued thereunder to take into account the issuance of any other classes or series of limited partnership units issued by the Partnership.

(f) Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan

In June 2002, the Partnership adopted a Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan (the "Plan"), which was subsequently amended in January 2004 to reflect the Partnership's adoption of a monthly distribution policy (the "DRIP"). The DRIP allows eligible holders of Class A Units to, among other things, elect to reinvest the eligible portion of the distribution declared by the Partnership in additional Class A Units at a five percent discount to the average market price or to receive the distribution in cash plus a two percent premium cash payment based on the eligible portion of the distribution. The Plan also allows DRIP participants to purchase additional units from treasury for cash based on the average market price, subject to minimum purchases of $1,000 up to an annual limit of $100,000 for each Unitholder and an overall limit of two percent of all outstanding units. Under the Plan, Fort Chicago reserves the right to determine how much new equity is available under the Plan on any particular distribution date. Accordingly, participation may be prorated in certain circumstances. The Partnership reserves the right to determine, for each distribution, how much new equity will be issued under this plan. At December 31, 2003, an aggregate of 866,324 Class A Units are reserved and available for issuance pursuant to the terms of the DRIP.

UNIT APPRECIATION RIGHTS

The Partnership adopted a Unit Appreciation Rights Plan (the "UAR Plan") effective December 3, 1997 pursuant to which UARs may be granted to directors, officers, employees and consultants (the "Participants") acting on behalf of the Partnership as an additional component of compensation. Each UAR entitles the holder to receive from the Partnership a cash amount equal to the positive difference, if any, obtained by subtracting the market based exercise price established at the time the UAR was granted from the closing price of the Class A Units on the TSX on the date of exercise. The following table sets out the accrued liabilities relating to the unexpired UARs outstanding at December 31, 2003 and 2002.

($ THOUSANDS, EXCEPT WHERE NOTED) — AS AT DECEMBER 31, 2003

[illegible]	[illegible]	WEIGHTED AVERAGE EXERCISE [illegible]	EXPIRY DATES	VESTED UARS	VALUE
2001	500,000	$ 9.29	March 7, 2006	500,000	$ 455
2002	125,000	$ 8.24	December 12, 2007	83,333	245
2003	160,000	$ 9.00	May 1, 2008 to July 14, 2008	53,333	192
	785,000	$ 9.06		636,666	$ 892

AS AT DECEMBER 31, 2002

[illegible]	[illegible]	WEIGHTED AVERAGE EXERCISE [illegible]	EXPIRY DATES	VESTED UARS	VALUE
2000	40,000	$ 7.80	December 31, 2003	40,000	$ 18
2001	537,500	$ 9.29	March 7, 2006	358,333	–
2002	125,000	$ 8.24	December 12, 2007	41,667	1
	702,500	$ 8.44		440,000	$ 19

The vesting provision for the unit appreciation rights issued in 2001, 2002 and 2003 were as follows: 33-1/3 percent on the date of grants; 33-1/3 percent on the first anniversary of the date of grants; and 33-1/3 percent on the second anniversary of the date of grants. As of December 31, 2003, 100 percent of UARs issued in 2001 had vested, 66-2/3 percent of the UARs issued in 2002 had vested and 33-1/3 percent of the UARs issued in 2003 had vested.

NOTE 14 INCOME TAXES

The provision for income taxes differs from the result that would be obtained by applying the combined Canadian Federal and Provincial statutory income tax rate to earnings before income taxes. The difference results from the following:

Earnings before income taxes	$	77,903
Combined statutory income tax rate		36.7%
Income taxes at statutory rate	$	28,590
Increase (decrease) resulting from:		
Taxable earnings attributable to Partnership's Unitholders		(4,502)
Future income taxes related to Canadian rate-regulated operations		(11,020)
Large corporations and capital taxes		4,203
Intergroup interest deductions		(4,187)
Higher income tax rates in other jurisdictions		1,441
Unrecognized benefit of current tax losses		17,080
Recognized benefit of loss carry-forwards		(6,253)
Other		322
Income taxes	$	25,674
Effective income tax rate		33.0%

Components of Future Income Taxes

Future income tax liabilities (assets)		
Differences in the accounting and tax bases of:		
Pipeline, plant and other capital assets	$	134,610
Deferred revenue and costs		49,016
Non-capital losses		(87,335)
		96,291
Valuation allowance		24,058
	$	120,349

Accumulated future income taxes of $71,281 have not been recorded in these consolidated financial statements as they relate to the Partnership's Canadian pipeline operation and will be recovered against future toll revenues. Had the liability method been prescribed for ratemaking purposes, such amounts would have been recorded and recovered from revenues.

Fort Chicago has Canadian and U.S. non-capital losses of $36,313 and $59,198 (US $45,805) available to reduce future Canadian and U.S. taxable income, respectively. The Canadian losses expire in 2007 while the U.S. losses expire in varying amounts from 2020 to 2030.

NOTE 15 COMMITMENTS AND CONTINGENCIES

The Partnership has operating leases for office premises, vehicles and computer equipment and capital leases for field offices and truck rack facilities. Expected future minimum lease payments under capital and operating leases are as follows:

	FOR THE YEARS ENDED DECEMBER 31	
	CAPITAL LEASE	OPERATING LEASE
2004	$ 1,215	$ 2,410
2005	1,215	2,107
2006	1,243	1,393
2007	1,243	1,007
2008	1,243	854
Thereafter	11,302	3,342
Total minimum lease payments	17,461	11,113
Lease imputed interest	(9,029)	–
Capital lease liability	$ 8,432	$ 11,113

Aux Sable is committed to deliver specified minimum quantities of ethane and propane to counterparties at market prices. Failure to meet the specified minimum volumes will result in penalties payable to the counterparties.

Fort Chicago, Alliance and Aux Sable are, or may be named as, a party to various legal claims associated with their normal course of business. As at the date of these consolidated financial statements, the resolution of these claims is not expected to have a material adverse impact on the Partnership's consolidated financial position or consolidated results of operations.

NOTE 16 FINANCIAL INSTRUMENTS

Borrowings under the bank credit facilities are based on short-term market interest rates and as a result their carrying value approximates fair value. The aggregate fair value of the Senior Notes as at December 31, 2003, based on quoted market prices, is $1.8 billion (2002 – $121.8 million) compared with the aggregate carrying value of $1.7 billion (2002 – $112.5 million).

Cash and short-term investments consist of amounts held in cash deposit accounts with a Canadian chartered bank, as well as investments in deposit instruments and/or commercial paper. Deposit instruments are restricted to government securities or deposits issued by reputable financial institutions maintaining specified minimum credit ratings and meeting certain capitalization tests. Holdings of deposit instruments and commercial paper issued by any one non-governmental issuer are also restricted. All investments have a maximum term to maturity of three months. Due to the short-term, floating-rate nature of cash and short-term investments, the carrying values do not differ materially from the fair values.

Other financial instruments, including receivables and payables, are short-term in nature, thus, their fair values approximate their carrying values.

The Partnership is exposed to credit risk since its businesses are concentrated in the natural gas transportation and NGL industries and its revenue is dependent upon the ability of its customers to pay their invoices. This exposure is particularly relevant in the Pipeline Business where a majority of the Partnership's shippers operate in the oil and gas exploration and development or energy marketing/transportation industries and may be exposed to long-term downturns in energy commodity prices, including the price for natural gas, or other credit events impacting these industries. Should these shippers be unable to fulfill their obligations under the transportation contracts and if suitable replacement shippers are not available, the Partnership may not be able to recover its operating and financing costs or make distributions to its owners. This exposure is reduced, in part, by requiring shippers to provide letters of credit or other suitable security unless they maintain specified credit ratings or a suitable financial position (note 10).

The earnings and cash flows of the NGL Business are sensitive to changes in the price of natural gas and NGL. To mitigate this exposure, beginning in August 2003, Aux Sable entered into derivative financial instruments to manage its price exposure to natural gas and natural gas liquids, including its fractionation margins, being the relative price differential between NGL sales and offsetting natural gas purchases.

The Partnership's share of outstanding derivatives at December 31, 2003 is as follows:

COMMODITY	MATURITY DATE	NOTIONAL VOLUME	INDEX	STRIKE PRICE	FAIR VALUE 2002
		(mmbtu/d)		*(US$/mmbtu)*	*($000s)*
Purchases					
Fixed for floating swap	March 31, 2004	1,281	NYMEX	$ 5.735	$ 56
Basis swap	March 31, 2004	1,281	NYMEX – AECO	0.70	18
Put option	March 31, 2004	2,562	NYMEX	4.90	(20)
Natural gas swap	January 31, 2004	4,107	NGI	6.07	29
Natural gas swap	March 31, 2004	8,668	AECO	4.32	1,125
Natural gas collar	March 31, 2004	17,079	AECO	5.85 – 4.775	1,121
Natural gas basis swap	March 31, 2004	17,079	NYMEX – AECO	0.50	(158)
Net gain					$ 2,171
		(gallons/d)		*(US$/gallon)*	
Sales					
Ethane	March 31, 2004	255,547	OPIS	$ 0.43 – 0.4325	$ (801)
Propane	January, 31, 2004	44,833	OPIS	0.6163	(119)
Propane	March 31, 2004	44,833	OPIS	0.5626	(916)
Butane	March 31, 2004	26,900	OPIS	0.6475	(622)
Iso-butane	March 31, 2004	17,933	OPIS	0.6475	(326)
Net loss					$ (2,784)

NOTE 17 SUBSEQUENT EVENTS

On January 14, 2004, the Partnership announced the adoption of a monthly cash distribution policy effective January 1, 2004 which replaces the previous quarterly cash distribution policy. The Partnership also declared a distribution of $0.06875 per Class A Unit for each of January, February and March 2004.

NOTE 18 SEGMENTED INFORMATION

YEAR ENDED DECEMBER 31, 2003	PIPELINE TRANSPORTATION	NATURAL GAS LIQUIDS	PARTNERSHIP[1]	TOTAL
Revenues[2] [3]	$ 312,166	$ 200,007	$ 17,992	$ 519,485
Depreciation and amortization[2]	78,480	6,774	2,340	87,594
Interest and other finance[2]	83,378	1,415	13,205	97,998
Net income (loss) before taxes	94,409	(14,012)	(2,494)	77,903
Total assets	2,555,018	191,600	11,473	2,758,089
Capital expenditures[2]	15,827	1,138	231	17,196

(1) *After giving effect to intersegment eliminations and allocations to businesses*

(2) *Represents Fort Chicago's proportionate share of Alliance's and Aux Sable's results from April 1, 2003, being the date Fort Chicago commenced proportionately consolidating their results*

(3) *Includes $10.7 million of transportation revenue from an affiliate company that is eliminated upon consolidation*

The following table represents Fort Chicago's revenues and pipeline, plant and other capital assets based on the geographic location of each entity:

	YEAR ENDED DECEMBER 31, 2003		
	CANADA	U.S.	TOTAL
Revenues	$ 205,327	$ 314,158	$ 519,485
Pipeline, plant and other capital assets	1,329,893	1,137,325	2,467,218

NOTE 19 DISTRIBUTABLE CASH RECONCILIATION

	FOR THE THREE MONTHS ENDED DECEMBER 31		FOR THE YEAR ENDED DECEMBER 31	
	2003	2002	2003	2002
	(Unaudited)	*(Unaudited)*		
Consolidated operating cash flow	$ 17,349	$ 11,008	$ 99,430	$ 42,514
Non-cash items	(19,881)	13,898	(44,779)	43,284
Cash distributions received from Alliance	–	(14,407)	(21,786)	(56,369)
Change in non-cash working capital	29,250	(3,711)	33,292	(3,695)
Net income	26,718	6,788	66,157	25,734
Partnership's non-cash items				
Equity income from Alliance and Aux Sable	(29,281)	(14,082)	(69,630)	(43,702)
Unrealized foreign exchange (gains) losses	3,392	(318)	(10,098)	(602)
Depreciation and amortization	364	502	1,551	1,020
	(25,525)	(13,898)	(78,177)	(43,284)
Partnership's cash items				
2003 distributions from Alliance	27,688	21,158	113,836	68,985
NGL business support payments	–	–	(10,394)	–
Marketing support payments	(1,436)	–	(2,384)	(1,829)
Interest on convertible debentures	(3,619)	–	(11,529)	–
Principal repayments on senior notes	(980)	(1,169)	(4,235)	(4,717)
Distributable cash	$ 22,846	$ 12,879	$ 73,274	$ 44,889

NOTE 20 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in 2003.

COMPOSITION OF THE BOARD

The Board currently consists of seven directors who provide a wide diversity of business experience. Five of the board members are independent of management and are unrelated directors. One board member, Mr. Guy J. Turcotte, is related as a result of holding the position of Chief Executive Officer until December 31, 2002. Each of the unrelated directors is free from any business or other relationship which could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Partnership, other than interests and relationships which arise solely as a result of holding Class A Units.

BOARD COMMITTEES AND THEIR MANDATES

The Board has three committees. The committees are as follows: Audit Committee, Compensation Committee and Corporate Governance Committee. The Audit and Compensation Committees each have three members who are unrelated directors. The Corporate Governance Committee consists of the five unrelated directors.

AUDIT COMMITTEE

Chair: Stephen Mulherin (effective March 9, 2004, David Drybrough assumed the role of Chair)

Members: David Drybrough, Arthur Mauro (effective March 9, 2004, John Feick and Verne Johnson were added to the Committee)

The Audit Committee reviews Fort Chicago's interim unaudited consolidated financial statements and annual audited consolidated financial statements and certain corporate disclosure documents including management's discussion and analysis and pro forma financial information before they are approved by the Board. The Audit Committee reviews and makes a recommendation to the Board in respect of the appointment of the external auditor and it monitors accounting, financial reporting, internal control and audit functions. The Audit Committee meets to discuss and review the audit plans of external auditors. The Audit Committee questions the external auditor independently of management and reviews a written statement of its independence based on the criteria found in the recommendations of the Canadian Institute of Chartered Accountants. In addition, it reviews Fort Chicago's internal control procedures to determine their effectiveness and to ensure compliance with Fort Chicago's policies and avoidance of conflicts of interest.

COMPENSATION COMMITTEE

Chair: John Feick

Members: Verne Johnson, Stephen Mulherin

The Compensation Committee reviews succession plans for key management positions, human resource policies and plans, and the performance and development of the CEO and other senior officers of the Partnership. The Compensation Committee makes recommendations to the Board with respect to the salary and other remuneration to be awarded to senior executive officers of the Partnership. It also makes recommendations to the Board in respect of all compensation matters including long- and short-term incentives such as bonuses, unit appreciation rights and other benefits and is responsible for developing these programs. The Compensation Committee also reviews and recommends compensation for Board and committee service.

CORPORATE GOVERNANCE COMMITTEE

Chair: Verne Johnson

Members: Arthur Mauro, David Drybrough, John Feick, Stephen Mulherin

The Corporate Governance Committee's mandate is to assess the effectiveness of the Board as a whole, the various other committees as well as individual directors. It also assesses the Partnership's approach to corporate governance and monitors the relationship between management and the Board. This Corporate Governance Committee is responsible for recommending candidates to the Board for nomination as directors, for the composition of various Board committees and for recommendations regarding Chairmanship of the Board and Committees. The Corporate Governance Committee is also mandated to undertake those initiatives as are necessary to maintain a high standard of corporate governance practices for the Partnership.

GENERAL TAX PRINCIPLES FOR PUBLIC LIMITED PARTNERSHIPS

Fort Chicago is a publicly traded limited partnership. Unitholders are partners in the Partnership and are entitled to receive cash distributions declared by the Partnership. A partnership is not subject to federal or provincial income tax. The annual income, gains, losses, deductions or credits of the Partnership flow through to the Unitholders who are required to report their allocated share of these amounts on their income tax returns as though the Unitholder had incurred these items directly. Historically, the Partnership Agreement allocated these amounts to Unitholders of record on March 31, June 30, September 30 and December 31 of each year. Effective January 1, 2004, the Partnership adopted a monthly distribution policy. Allocations will now be based on the Unitholder of record on the last business day of each month, or if not a business day, then on the preceeding business day.

In March, Unitholders of record receive a T5013 and, if applicable, a Relevé 15 tax form that summarizes their allocated share of the Partnership's reportable tax items for the calendar year ended December 31, and certain information required to be included in their tax returns. Only the amounts shown on the T5013 and Relevé 15 should be entered on each Unitholder's tax return.

1. Who should I notify regarding a change of address?

If you hold your units directly with Computershare Trust Company of Canada ("Computershare"), please notify Computershare directly. For Unitholders that hold their units in a broker account, please notify your broker.

2. When can I expect my T5013 and Relevé 15 tax receipts?

If you hold units directly with Computershare, the T5013s and, if applicable, the Relevé 15s were mailed to Unitholders on or about March 8, 2004.

For Unitholders that hold units in a brokerage account the brokerage firms, not Fort Chicago, are responsible for sending these forms to individual Unitholders. Tax information is sent to the Canadian Depository for Securities Limited ("CDS") by Fort Chicago on or about the end of February. The brokerage firms then access the tax information from CDS and are required to issue the T5013 and, if applicable, the Relevé 15 forms to Unitholders by March 31.

3. What portion of the distributions is considered to be taxable?

All the distributions paid to Unitholders in 2003 are treated as a return of capital and should be deducted from your adjusted cost base ("ACB").

4. What tax amounts have been allocated to Unitholders in 2003?

For 2003, the amounts set forth in the table on the last page of this report were allocated to Unitholders. Unitholders should only report the amounts allocated to them on their T5013 and, if applicable, their Relevé 15 forms. Income allocated that was included in the calculation of the Unitholder's taxable income is added to the ACB of their units for the purposes of calculating any capital gains and losses on the sale of the Class A Units. Tax deductions allocated and deducted by you will reduce the ACB of your units for purposes of calculating any capital gains and losses on the sale of the Class A Units.

5. What taxable income or loss will be allocated to Unitholders in 2004?

At the present time, it is extremely difficult to predict the Partnership's taxable income or loss for 2004 due to the volatility associated with the Partnership's natural gas liquids extraction business. Based on current conditions, we would expect little, if any, taxable income to be allocated to Unitholders for the 2004 tax year.

6. Why is my distribution being reduced for U.S. withholding taxes?

Fort Chicago has capitalized its investments in U.S. subsidiary partnerships with a combination of debt and equity. Fort Chicago is therefore earning U.S.-sourced interest income that is in turn included in your distribution. U.S. tax rules

require Fort Chicago to withhold U.S. taxes based on the taxable status of its Unitholders. Therefore, Canadian individual and Corporate Unitholders are subject to a 10 percent withholding tax rate and tax exempt investors (e.g. RRSPs and pension plans) are not subject to U.S. withholding taxes. Should you be taxed at a different rate and you hold your Units directly on the register of Unitholders, you need to supply to Computershare a completed W8-BEN or W8-IMY form. Unitholders who hold their units in a broker account need to contact their broker and have them update their record of residency for their account.

7. Are the U.S. withholding taxes recoverable?

Unitholders who are subject to 10 percent withholding will be able to claim a foreign tax credit against Canadian taxes paid on the U.S. source interest income allocated to them. Unitholders who have not completed a W8-BEN or W8-IMY form are subject to higher withholding rates and, as a consequence, the amount of foreign tax credit they can claim will be subject to prescribed limitations contained in the *Income Tax Act* (Canada).

8. What is the amount of U.S. withholding taxes that will be deducted from my distributions in 2004?

Approximately $0.06 per Class A Unit will be considered U.S. interest income in 2004 and, provided you have completed the W8-BEN or W8-IMY form, be subject to U.S. withholding taxes at a rate of 10 percent. The exact amount will depend on the exchange rate at the end of each month.

9. Are the Class A Units of Fort Chicago considered to be foreign content? What about the Convertible Debentures?

Class A Units are considered foreign property for purposes of inclusion in deferred profit sharing plans, registered retirement savings plans, registered retirement income funds and other tax exempt plans arrangements.

The Series A and Series B Convertible Debentures issued in 2003 are currently not qualified investments for tax exempt investors under the *Income Tax Act* (Canada). Consequently, purchases of these debentures by tax exempt investors are restricted.

10. Can investors, other than Canadian citizens, purchase Class A Units of Fort Chicago? What about the Convertible Debentures?

Class A Units may only be held by residents of Canada. In the event that any Class A Units are acquired by a non-resident of Canada, the General Partner has the authority to take any steps necessary to ensure that such Class A Units are transferred to a resident of Canada.

The Series A and Series B Convertible Debentures issued in 2003 can be purchased by non-residents of Canada. However, Canadian withholding taxes will be deducted from the interest payments and the Convertible Debentures cannot be converted into Class A Units unless the holder meets the Canadian ownership requirements applicable to the Class A Units.

11. How do I calculate my adjusted cost base?

Generally, the ACB of your partnership units will be equal to:

The cost of all units acquired, including commissions

Less: distributions received since acquisition
Less: tax losses allocated to you by Fort Chicago and deducted in calculating your taxable income since acquisition
Add: taxable income allocated to you by Fort Chicago and included in your taxable income since acquisition

These amounts can be obtained from your T5013 received for each year you have owned the units. Fort Chicago's website (www.fortchicago.com) also has historical distribution and tax allocation information in the Tax Information section. There is also an example of an ACB calculation.

HISTORICAL FINANCIAL AND OPERATING HIGHLIGHTS

($ THOUSANDS, EXCEPT WHERE NOTED)

	2003	2002	2001	2000	1999	1998
Financial						
Net income	$ 66,157	$ 25,734	$ 14,095	$ 26,996	$ 27,046	$ 22,229
Net income per Class A Unit	$ 0.64	$ 0.35	$ 0.19	$ 0.40	$ 0.41	$ 0.34
Distributable cash	$ 73,274	$ 44,889	$ 49,625	*	*	*
Distributable cash per Class A Unit	$ 0.822	$ 0.608	$ 0.678	*	*	*
Distribution paid	$ 67,111	$ 48,748	$ 49,045	*	*	*
Distribution paid per Class A Unit	$ 0.750	$ 0.660	$ 0.670	*	*	*
Taxable portion of distribution paid	0%	0%	0%	*	*	*
Taxable income (loss) per Class A Unit	$ (0.019)	$ (0.343)	$ (0.603)	$ (1.105)	$ (0.345)	$ 0.003
Total assets	$ 2,758,089	$ 801,946	$ 620,235	$ 634,723	$ 462,600	$ 402,358
Long-term debt and capital leases	$ 1,649,226	$ 251,208	$ 113,472	$ 129,792	$ 30,160	$ –
Partners' equity	$ 802,956	$ 469,720	$ 487,311	$ 496,782	$ 429,453	$ 401,829
Class A Units outstanding	101,142,290	74,372,673	73,275,759	66,100,829	66,100,829	66,003,609
Class A Unit Returns and Trading Activity						
Total annual return	33.9%	-3.6%	17.1%	18.3%	16.9%	3.9%
Trading price per Class A Unit						
High	$ 10.33	$ 9.40	$ 9.55	$ 9.95	$ 7.85	$ 8.25
Low	$ 8.04	$ 7.52	$ 8.20	$ 6.50	$ 5.80	$ 5.35
Close	$ 10.20	$ 8.25	$ 9.25	$ 8.50	$ 7.25	$ 6.20
Volume traded	43,655,551	27,161,549	32,615,817	28,608,859	13,005,843	31,172,725
Operating						
Average daily throughput of Pipeline Business (100%, billion cubic feet per day)	1.588	1.481	1.479	*	*	*
Canadian transportation toll ($ per thousand cubic feet)	$ 0.77	$ 0.77	$ 0.75	*	*	*
U.S. transportation toll (US $ per thousand cubic feet)	$ 0.51	$ 0.46	$ 0.47	*	*	*
Average daily throughput of NGL Business (100%, thousand barrels per day)						
Ethane	24.3	23.1	24.2	*	*	*
Propane plus	26.1	25.7	21.3	*	*	*
	50.4	48.8	45.5	*	*	*
NGL composite average price (US cents per gallon)	37.5	34.5	50.2	*	*	*
Chicago average daily natural gas price (US $ per MMbtu)	5.56	3.33	4.02	*	*	*

*Distributions commenced following the start-up of the Alliance Pipeline and Aux Sable in December, 2000. No operating highlights are provided prior to 2001.

2003 INCOME TAX INFORMATION

	TOTAL PARTNERSHIP	ALLOCATED TO CLASS A UNITHOLDERS AS OF MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31	TOTAL PER CLASS A UNIT
Business loss	$ (14,629,898)	$ (0.05220)	$ (0.04240)	$ (0.04018)	$ (0.03236)	$ (0.16714)
Taxable capital gain	4,906,314	0.01646	0.01364	0.01348	0.01213	0.05571
Foreign interest income[(1)]	8,012,966	0.03000	0.02400	0.02200	0.01600	0.09200
Net taxable (loss)	$ (1,710,618)	$ (0.00574)	$ (0.00476)	$ (0.00470)	$ (0.00424)	$ (0.019435)
Capital cost allowance	$ 55,537,087	$ 0.186340	$ 0.154420	$ 0.152610	$ 0.137270	$ 0.630640
Charitable donations	$ 5,000	$ 0.00002	$ 0.00001	$ 0.00001	$ 0.00001	$ 0.00005

(1) This amount was subject to U.S. withholding taxes. The rate of withholding varied with each Unitholder's particular circumstances. Unitholders can claim a foreign tax credit for the amount reported on their T5013 or Relevé 15 forms.

OFFICERS

Guy J. Turcotte
Chairman

Stephen H. White
President and Chief Executive Officer

Hume D. Kyle
Vice President, Finance and Chief Financial Officer

Vern A. Wadey
Vice President, Business Development

Renee M. Ratke
Secretary, Partner, Bennett Jones LLP

BOARD OF DIRECTORS

Guy J. Turcotte
Calgary, Alberta

David J. Drybrough[(1) (3)]
Winnipeg, Manitoba

John E. Feick[(1)(2)(3)]
Calgary, Alberta

Verne G. Johnson[(1)(2)(3)]
Calgary, Alberta

Arthur V. Mauro[(1) (3)]
Winnipeg, Manitoba

Stephen W.C. Mulherin[(1) (2) (3)]
Calgary, Alberta

Stephen H. White
Calgary, Alberta

[(1)] *Member of the Audit Committee*
[(2)] *Member of the Compensation Committee*
[(3)] *Member of the Corporate Governance Committee*

HEAD OFFICE

Fort Chicago Energy Partners L.P.
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UNITHOLDER INQUIRIES

If you have inquiries regarding the DRIP Plan, address information, unit transfers, distributions, or duplicate mailings, please contact our Transfer Agent and Registrar, Computershare Trust Company. For all other inquiries, please contact Fort Chicago's Investor Relations personnel or visit Fort Chicago's website.

INVESTOR RELATIONS

Fort Chicago Energy Partners L.P.
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TRANSFER AGENT AND REGISTRAR

Computershare Trust Company Of Canada
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Calgary, Alberta M5J 2Y1
Phone: 1-800-564-6253
Toll-Free Fax: 1-888-453-0330

Computershare also has offices in Vancouver, Toronto, Winnipeg, Montreal

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

SOLICITORS

Bennett Jones LLP
Calgary, Alberta

BANKERS

The Toronto-Dominion Bank
Calgary, Alberta

Bank of Nova Scotia
Calgary, Alberta

Canadian Imperial Bank of Commerce
Calgary, Alberta

PUBLICLY TRADED SECURITIES

Listed on the Toronto Stock Exchange
Class A Units

Trading Symbol FCE.UN
Distributions Monthly
Record Date Last business day of each month
Payment Date 23rd day following Record Date, or if not a business day, the prior business day

7.5% Convertible Debentures, Series A and 6.75% Convertible Debentures, Series B

Trading Symbols FCE.DB.A, FCE.DB.B
Interest Payable Semi-annually on June 30 and December 31

PREMIUM DISTRIBUTION, DISTRIBUTION REINVESTMENT AND OPTIONAL UNIT PURCHASE PLAN (THE "DRIP PLAN")

Fort Chicago offers a DRIP Plan to eligible Unitholders. Subject to Fort Chicago's right to limit equity issued under this plan, participants can:

(i) reinvest distributions into Class A Units at a five percent discount to a weighted average market price, under the distribution reinvestment component of the DRIP Plan; or

(ii) receive a cash distribution that includes a two percent premium over the eligible portion of the distribution, under the premium distribution component of the DRIP Plan; and

(iii) invest in additional Class A Units, at the weighted average market price, up to an individual annual aggregate limit of $100,000.

Unitholders wishing to enroll in the DRIP Plan who hold units through an investment dealer, financial institution or other nominee must make their elections through these institutions. Registered holders, including nominees, must submit their enrolment forms to our Transfer Agent and Registrar, Computershare Trust Company.

Additional information, including enrolment forms, can be obtained on Fort Chicago's website or by calling Computershare Trust Company at 1-888-564-6253.

NOTICE OF ANNUAL MEETING

The Annual Meeting of Unitholders will be held on May 4, 2004 at 4:00 p.m. at the Metropolitan Centre in the Strand/Tivoli Room, 333 – 4th Avenue S.W., Calgary, Alberta. All Unitholders are encouraged to attend.

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FortChicago

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